

This book attempts to take the readers on a historical journey of khadi, from being a livery of freedom to green fabric or designer wear. The approach here is not to judge, but to share factual information and knowledge about khadi, highlighting the process of change. It aims to provide an insight on the pivotal role khadi played in the Indian economic planning, giving a roadmap of khadi from local village to world market.

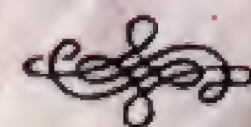
Geetanjali Parikh belongs to a family which had adopted khadi as their dress-code during India's freedom struggle. Khadi also happens to be the subject of her doctoral thesis at Department of Economics, University of Bombay in 1975.



NATIONAL BOOK TRUST, INDIA



HISTORY OF *Khadi*



GEETANJALI PARIKH



HISTORY OF
Khadi



GEETANJALI PARIKH



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एकः सूत्रे सवालम्

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<i>Introduction</i>	vii
1. History of Khadi	1
2. Charkha – A Symbol of Swadeshi	7
3. Charkha – A Symbol of Non-violence	20
4. Charkha in Physical Form	27
5. Khadi in Independent India	30
6. Organisational Structure for Khadi Programme	38
7. Financial Aspects	48
8. Khadi in Five Year Plans	57
9. Production Aspects	64
10. Employment Aspect	72
11. Marketing	80
<i>Appendix</i>	89
<i>Bibliography</i>	91

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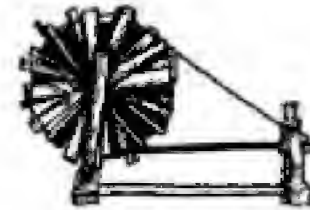
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INTRODUCTION

My childhood memories are full of Gandhian thoughts and principles. My parents, like thousands of people at that time, were active participants in India's freedom struggle and had adopted khadi as a lifestyle. My sisters and I also had khadi as our 'dress-code' but obviously without understanding its relevance. Our parents explained the philosophy behind it when we reached a stage where we had our own preferences and opinions. The decision to accept khadi and the Gandhian way of life was left to us.

Growing up in this environment acted as stimulus for my choosing khadi as the subject of my doctoral thesis (Department of Economics, University of Bombay, 1975). For me, this topic held a personal significance and therefore, a higher relevance. I received mixed reactions from my colleagues and friends for this choice. After 25 to 30 years of Independence and with new developmental strategies gaining ground, this topic was considered of less relevance. It was only discussed or debated while evaluating the framework of Gandhian philosophy or in terms of economic viability.

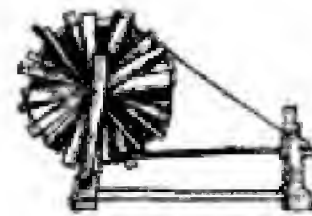
With passage of five decades of Independence, whilst Mahatma Gandhi is a well-known personality to the newer generation, the Gandhian way of life has started fading away. The current economic and market trends are more reflective of consumer preferences than of any ideologies and philosophies.

I feel it is time that the history of khadi is refreshed. This book attempts to take us on a historical journey of khadi, from being a livery of freedom to green fabric or designer wear. The approach here is not to judge, but to share factual information and knowledge about khadi, highlighting the process of change. This is not an analytical project and does not deal with sensitive issues of 'economics' of khadi. It simply aims to provide an insight on the pivotal role khadi played in the Indian economic planning, giving a roadmap of khadi from local village to world market.

My sincere thanks to Dr. Bipan Chandra (Chairman, NBT) for giving me this opportunity to re-live the history of khadi and put forward its road map from British rule to Indian planning in print form. I wish to express my gratitude to my elder sister Dr. Varsha Das whose initiative, pursuance and constant encouragement were key factors in making this project happen. Thanks are also due to my family members, especially my husband, Mr. Mohit Parikh and daughter Dr. Panam Parikh for their suggestions and untiring support.

18 February 2010
Vadodara

Geetanjali Parikh



Chapter 1

HISTORY OF KHADI

Whenever and wherever the issue of Indian politics, economy or culture is talked about, khadi invariably appears as an important element. Khadi is so deeply ingrained in our national character and so closely associated with Mahatma Gandhi that any discussion on khadi has to take note of simple yet multi faceted character of this unique fabric. Technically it refers to a hand spun and hand woven cloth¹, but it is much more than that. Acharya Vinoba Bhave, who was chosen as the first Satyagrahi by Gandhiji himself, believed that if Mahatma Gandhi had not put forward the thought of non-violence, somebody else would have done it, because it was a historical necessity. "But if Bapu had not promoted the thought of khadi," he said, "I don't think any of us would have imagined this. ...Khadi is Gandhiji's

1. Khadi—Literally and Operationally

The word 'khadi' in literal sense emphasizes weaving rather than spinning. The dictionary defines khadi as hand spun and hand woven cloth, but the word is derived from the word 'khad vastra' which means a cloth woven on a machine fitted in a 'khad' – a pit. The reference is to pit-looms rather than a spinning wheel. There is also an opinion that charkha may have been confused for 'kargha', meaning handloom. Thus the word khadi in literal sense has no specification about process of yarn making but during the Gandhian era and thereafter, in practical terms, khadi is defined as hand spun and hand woven cloth. And in the freedom movement hand spinning on charkha rather than hand weaving was given prime position.

vision of a special stature. His personality and his efforts gave a practical form to the thought of Khadi. ... It is very essential to know what was the vision of khadi of this Khadi-Visionary." (*Khadi Darshan*, Yagna Prakashan, Vadodara, 1972)

History of khadi, therefore is history of India's struggle for political Independence from the British rule through Satyagraha and civil disobedience. It is also a Gandhian approach of economic regeneration of Indian villages through Swadeshi spirit and a thoughtful Gandhian weapon of non-violence to fight mighty empire having large military power. As he said, "The world is weary of hate. We see the fatigue overcoming the Western nations. We see that this song of hate has not benefited humanity. Let it be the privilege of India to turn a new leaf and set a lesson to the world". He did demonstrate with absolute conviction the strength of Ahimsa- non violence to the world. In fact, he gave "moral equivalent of war" proving that non-violence is the law of human race and is infinitely greater than and superior to brute force. He said, "Suffering is the law of human beings; war is the law of the jungle. But suffering is infinitely more powerful than the law of the jungle for converting the opponent and opening his ears, which are otherwise shut, to the voice of reason.... I have come to this fundamental conclusion that if you want something really important to be done, you must not merely satisfy the reason but must move the heart also. The appeal of reason is more to the head but the penetration of the heart comes from suffering. It opens up the inner understanding in man."

His unconventional approach towards political independence, economic development and social set-up has always been a matter of interest as well as debate. All these aspects of Gandhian strategy are unique as they represent radical departure from conventional solutions to common

problems of political independence, poverty eradication and rural-urban interdependence.

In other words, khadi was introduced by Mahatma Gandhi as an instrument to meet twin objectives of self-reliance through local production on the one hand and seeking active participation of all, rich and poor, in the struggle for Independence on the other. It was expected to be a symbol of the unity of India against the colonial power, conveying the powerful message that Indians could be self reliant and live with dignity in most trying circumstances.

It was Mahatma Gandhi who could realize that departure from Swadeshi was ruinous to India in many respects. He observed that India was made to live for Lancashire and her village industries were extinguished for the sake of prosperous commerce of England. Deep poverty of the villagers was largely due to forced idleness or involuntary unemployment. Unmindful of the consequences, the town dwellers too, contributed to the aggravation of the miseries of villagers, when they preferred cheaper foreign goods to rather crude and high cost home products. Moreover disparities between town dwellers and villagers were increasing fast as towns were developed and villages were neglected to facilitate British trade. It is in this context Gandhiji wrote in *Young India* during 1920 that "I feel convinced that the revival of hand-spinning and hand weaving will make the largest contribution to the economic and the moral regeneration of India. The millions must have a simple industry to supplement agriculture. Spinning was the cottage industry years ago, and if the millions are to be saved from starvation, they must be enabled to reintroduce spinning in their homes and every village must repossess its own weaver." (National Gandhi Museum, New Delhi).

Gandhiji's strategy for revival of India's glorious past thus aimed at return to its traditional occupation. Though

agriculture was, and even now is, mainstay of Indian economy, it could not employ all the people in the country, given the fact that almost 73 % of the population lived in villages. The development of khadi and village industries therefore, was an instrument of providing a means of livelihood to every family, and help it lead a respectable life. In 1917 during his visit to Champaran, he witnessed the plight of poor farmers. The climax was when he realized that the women in Bhilwara were unable to change their clothes due to lack of availability of another pair! He simply could not remain a silent observer and the first Satyagraha on the Indian soil was initiated in Champaran. His own clothing practice also changed drastically. And he felt the urgency of reviving traditional industries for regeneration of rural economy.

In the process of this economic regeneration, the spirit of Swadeshi was also cultivated. Thus khadi assumed the symbol of nationalism.

It had a political role of promoting nationalism, economic role of providing income to rural population and moral role of inculcating virtues of self-suffering, helping the downtrodden by establishing dignity of work. For him, Swadeshi was a theoretical term and Khaddar, the concrete and central fact of Swadeshi. He found that hand spinning was "the easiest, the cheapest and the best"

In fact he put forward several claims for khadi in these words:

- It supplies the readiest occupation to those who have leisure and are in want of a few coppers.
- It is known to thousands.
- It is easily learnt.
- It requires practically no outlay on capital.
- The wheel can be easily and cheaply made.
- The people have no repugnance to it.

- It affords immediate relief in times of famine and scarcity.
- It alone can stop the drain of wealth which goes outside India, in the purchase of foreign cloth.
- It automatically distributes the millions thus saved among deserving poor.
- Even the smallest success means so much immediate gain to the people.
- It is the most potent instrument of securing cooperation among people.

Khadi thus was a multipurpose instrument or a means for mass education for Gandhiji. He considered the spinning wheel as an instrument for village reconstruction at local level, as the key to Swaraj at national level and a force for establishing peace at the international level.

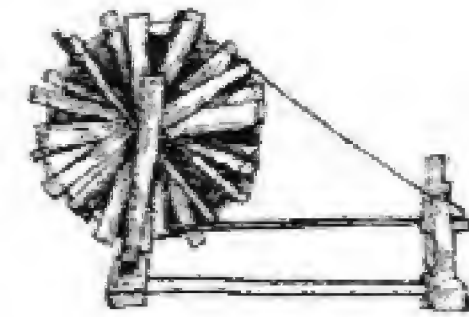
The villagers who were drained of their varied occupations, their creative talent and the little wealth they had bought could be helped only through "the revival of the Charkha and all it means." Keeping khadi as 'the sun of the whole industrial solar system' he advocated the development of other village industries as well. For all practical purpose it meant decentralized development of self sufficient village economy. His choice of village self sufficiency was derived from his preference for small markets. Moreover, in the context of the then prevailing social, economic, and political circumstances, any kind of state help was out of question. Relying on local resources was obviously the rational choice.

As is well-known, his views on khadi and village industries as a strategic tool of freedom struggle were so comprehensive that his development plans combined, economic, political, social as well as ethical principles.

He conceived khadi as the foundation and image of 'ahimsa'. "A real khadi wearer" he maintained, "will not

utter an untruth. A real khadi wearer will labour no violence, no deceit, and no impurity."² In this sense khadi was certainly not a mere cloth, but a freedom uniform, which conveyed the way of life based on certain value judgments and principles. Adoption of khadi to the exclusion of other clothes and acceptance of its ethical framework formed the basis of khadi programme in the freedom movement. Moreover, the society in general attached high values to austerity, simplicity and truthfulness backed by patriotism during that period. The younger generation was significantly influenced by the fiery personalities of political leaders and hence their dressing style was a fashion statement for the masses. Besides the charisma of Gandhiji there was a definite time bound political goal of achieving Independence. Hence acceptance of khadi and boycott of foreign goods could attract massive response.

Chapter 2



CHARKHA - A SYMBOL OF SWADESHI

Today Charkha and freedom movement are so closely associated that one may ignore Mahatma Gandhi's deep reasoning of selecting charkha as a symbol of nationalism. One may not also accept the fact that he had not even seen the spinning wheel until 1917 ! Not only that, but he also confused it with loom and got the loom for Sabarmati Ashram! However the historical facts reveal his justification for taking Charkha as a means to promote the spirit of Swadeshi.

Literally speaking, Charkha meaning "Wheel" is a generic term, meaning any hand-cranked³ spinning machine which can be used to spin fiber into yarn. In other words, for practical purpose it is simply an equipment to be used for producing a commodity which can be exchanged or sold in the market, and thus be a source of livelihood for the spinner.

In literal sense, however, the word charkha is derived from 'chakra' i.e., circle or disc. In Indian mythological context, chakra implies Sudarshan chakra of Shri Krishna, used for protecting Good from Evil and thus signifying a centre of energy. The chakra is also associated with the name of Asoka the Great, the third emperor of Maurya dynasty. He had the spiritual qualities of saint combined with

2. *Cent Percent Swadeshi* by M.K. Gandhi. Navjivan Press, Ahmedabad, 1938, Chp. xxxvi pp. 105-106

3. The dictionary defines it as a noun for a handle or arm bent at right angles and connected to a shaft of a machine, used to transmit motion or to change rotary motion into reciprocating motion, or vice versa.

practical qualities of a king. He accepted Buddhism as religion having a change of heart, when he witnessed hundreds and thousand of dead bodies in bloody wars as a consequence of expansion of his empire. Ultimately he gave up the pomp and power of the king and had religious conversion. He had Dharma chakra (later came to be known as Asoka chakra) as a state symbol. It is India's national symbol also and it appears on the Indian national flag (Annexure 1: *History of Indian Flag*, pp. 16-19). All these social and spiritual meanings of Chakra/charakha however came to limelight only when the spinning wheel assumed symbolic role of nationalism during the freedom movement.

Until then, i.e. prior to its association with Swadeshi movement and its symbolic significance, charkha was simply an equipment used as a source of livelihood of artisans and companion of women in rural areas. It used to be a common activity for women in their free time. They would spin as a daily routine, in a group, which will give them a chance to socialize as well as get enough yarn to make something useful for the family. It was also an important item in dowry which usually consists of large sums of cash and household items. Spinning was considered more suitable for rural women who had constraints of time, mobility and traditional restrictions for working elsewhere. Charkha helped them by providing an avenue to supplement their meager income, without leaving their house or household responsibilities.

Of course in this context charkha and spinning were associated mainly with women, whereas Gandhiji wanted everybody - men and women, young and old, rich and poor to take up spinning to reveal their involvement in Swadeshi movement and convey the spirit of nationalism. He said, "Just as every one of us must eat and drink and clothe himself, even so everyone of us must spin himself" (YI, 28-5-1925, p. 182).

To put Swadeshi spirit in practice, he advocated boycott of foreign goods and selected two items of vital importance in daily life vis., diet and dress.

As for the diet, Gandhiji could have selected problems of agriculture and make it a centre of village activity. But, realist as he was, he believed that, even though there may be differences regarding the equipments to be used in farming, everybody accepts the need for growing crop. In case of clothing as related to textile mill there is spinning wheel at the other extreme. There is fine, smooth, inexpensive mill-made cloth on the one hand and coarse, simple and expensive hand spun and hand woven cloth on the other. The mills represent capitalist system and spinning wheel reflects the nature of village economy. He said in clear terms that "It is my deliberate opinion that India is being ground down, not under the English heel, but under that of modern civilization".

In this context, Gandhiji brought out the significance of self sufficiency and Swadeshi. He clearly explained the adverse effects of large scale industries, whether they are from Britain or from India. He was fully convinced that "if the seven lakhs of the villages of India were to be kept alive, and if peace that is at the root of all civilization is to be achieved, we have to make the spinning-wheel the centre of all handicrafts" (H, 19-2-1938, p. 11). In fact he did mention at a later stage that "The conviction dawned upon me even before I came to India that the revival of hand-spinning alone could restore India to its pristine glory. I have since then compared the spinning-wheel to the central sun round which the solar system of our village economy revolves. It provides the golden bridge between the rich and the poor" (H, 21-7-1946, p. 231). Thus he made the spinning-wheel the foundation on which a sound village life could be built.

He also brought out the limitations of mill made production- whether Indian or foreign.

"Our mills cannot today spin enough for our wants, and if they did, they will not keep down prices unless they were compelled. They are frankly money-makers and will not therefore regulate prices according to the needs of the nation. Hand-spinning is therefore designed to put the millions of rupees in the hands of poor villagers. Every agricultural country requires a supplementary industry to enable the peasants to utilize the spare hours. Such industry for India has always been spinning. We want to organize our national power not by adopting the best methods of production only, but by the best method of both the production and distribution. What India needs is not the concentration of capital in a few hands, but its distribution so as to be within easy reach of the seven and a half lakhs of villages that make this continent 1900 miles long and 1500 miles broad. He concluded, "India should wear no machine-made clothing whether it comes out of European mills or Indian mills⁴."

In a move to protect the villagers from the exploiters – both foreign and indigenous, he advocated going back to villages. In operational terms it meant villagers were to be provided "honorable employment", which can also provide "a readymade insurance policy in times of scarcity of rain and bring about the moral and hygienic uplift that is ultimately associated with them."

According to him therefore, hand spinning and hand weaving would make very vital contribution to economic regeneration basically in two ways: Firstly it will help removing the poverty of villages and secondly, it will restrict the flow of Indian money to the British industries. Thus spinning had twin objectives of providing income to

4. written in 1909.

the rural poor as an economic objective and a political objective of achieving freedom from British rule. In this way spinning was applicable to all citizens on a nationwide scale as a participative measure or involvement in Swadeshi movement.

He was convinced that "Much of the deep poverty of the masses is due to the ruinous departure from Swadeshi in the economic and industrial life." If not an article of commerce had been brought from outside India, she would be today a land flowing with milk and honey !The masses lost their freedom, such as it was, with the loss of Charkha. The Charkha supplemented the agriculture of the villagers and gave it dignity. It was the friend and solace of the widow. It kept the villagers from idleness. For the Charkha included all the anterior and posterior industries- ginning, carding, warping, sizing, dyeing and weaving. These in their turn kept the village carpenter and the blacksmith busy.

"The Charkha enabled the seven hundred thousand villages to become self-contained. With the exit of the Charkha went the other village industries. Nothing took the place of these industries. Hence, if the villages are to come into their own, the most natural thing that suggests itself is the revival of the Charkha and all it means" (*H*, 13-4-1940, p. 85).

This was his basic reasoning, and philosophy as well as approach for regaining India's original glory.

The importance of Charkha thus was derived from the necessity of developing Swadeshi spirit and giving it a symbolic interpretation. His opinion in this matter is distinctly clear in what he wrote in *Hind Swaraj* (Chp. 7 & 8).

"The English have not taken India; we have given it to them. They are not in India because of their strength, but because we keep them.

When our Princes fought among themselves, they sought the assistance of Company Bahadur. That co-operation was versed alike in commerce and war. It was unhampered by questions of morality. Its object was to increase its commerce and to take money. The Hindus and the Mohammedans were at daggers drawn. This, too, gave the Company its opportunity and thus we created the circumstances that gave the Company its control over India.

They wish to convert the whole world into a vast market for their goods. They will leave no stone unturned to reach the goal."

When Gandhiji laid down the need for Swadeshi, he made it clear that the boycott movement undertaken by Indians was not by way of revenge, but had greater emphasis on building up national spirit. In his writings he mentioned, "....I think of Swadeshi not as a boycott movement undertaken by way of revenge. I conceive it as a religious principle to be followed by all." He explained how India was made to live for Lancashire. Because of inevitable competition in capitalist system and existence of large scale industries, Britain required larger and larger markets to dispose their products. Obviously India with vast area and large population provided the suitable avenue. Therefore Britain employed systematic policies to destroy Indian industries. During his touring of India after returning from South Africa, Gandhiji saw the hand-loom industry in a dying condition. He met many weavers and realised how they had lost their glory and how families had retired from this once flourishing and honourable occupation.

"Had we not abandoned Swadeshi," observed Gandhiji, "we need not have been in the present fallen state. If we would get rid of the economic slavery, we must manufacture our own cloth and, at the present moment, only by hand-spinning and hand-weaving". (Mahatma:

Vol. II, p. 21. Articles on & by Gandhi, Gandhi Museum)

It is with this conviction that Swadeshi spirit was advocated and Gandhiji described it as "that spirit in us which restricts us to the use and service of our immediate surroundings to the exclusion of more remote".⁵ (M. K. Gandhi, "Economics of Khadi", Navjivan Press, Ahmedabad, 1941, chp.1, p. 3).

In short, without entering into controversy or highlighting the limitations of use of machines he justified the symbolism of charkha for Swadeshi. He further clarified his insistence of Swadeshi in *Young India* (1931) in these words: "A country remains poor in wealth, both materially and intellectually, if it does not develop its handicrafts and its industries and lives a lazy parasitic life by importing all the manufactured articles from outside. There was a time when we manufactured almost all we wanted. The process is now reversed, and we are dependent upon the outside world for most manufactured goods. We do not want to follow the frog-in-the-well policy, nor in seeming to be international, lose our roots. We cannot be international, if we lose our individuality, i.e., nationality".

Many a times there is a tendency to attribute Gandhiji's opposition to capitalism to his opposition to machines or mechanisation. But he opposed capitalism more for its code

5. He explained his concept of Swadeshi in wider context, i.e. not only with respect to economics, but with reference to total lifestyle in these words: "Swadeshi is that spirit in us which restricts us to the use and service of our immediate surroundings to the exclusion of the more remote. Thus, as for religion, in order to satisfy the requirements of the definition, I must restrict myself to my ancestral religion. That is the use of my immediate religious surrounding. If I find it defective, I should serve it by purging it of its defects. In the domain of politics, I should make use of the indigenous institutions and serve them by curing them of their proven defects. In that of economics, I should use only things that are produced by my immediate neighbours and serve those industries by making them efficient and complete where they might be found wanting."

of justice, rather than for its predominance of machines, since he thought uneven distribution is inherent in the capitalist system.

He strongly believed that the distribution can be equalized when production is localized, i.e. when the production and distribution are simultaneous. "Distribution will never be equal," he said, "so long as you want to tap other markets of the world to dispose of your goods." He laid greater emphasis on decent living conditions for all, rather than evolving a price mechanism aiming at higher consumption and higher profits. Thus he opposed mechanisation, on account of his principles of simplicity and bread labour. To the extent indiscriminate use of machinery led to "soulless, monotonous and strenuous work in factories," he wanted to avoid it in the interest of development of human personality. And to the extent "craze of machinery" led to large increase in the production, without accompanying increase in employment and thus leaving large masses without gainful work, he opposed mechanization in the interest of people's right to work. "For a person suffering from the pangs of hunger, and desiring nothing but to fill his belly, and any one who gives him his bread is his Master. Through him he may even see God. To give alms to such persons, who are sound in all their limbs, is to debase oneself and them. What they need is some kind of occupation, and the occupation that will give employment to millions can only be hand-spinning".

In Indian context he said in very clear terms that, "Mechanisation is good when the hands are too few for the work intended to be accomplished. It is an evil where there are more hands than required for the work as is the case in India... we should not substitute lifeless machines for the living machines scattered over the seven lakhs villages of India. The machine is well used if it aids men's

labour and simplifies it. Today it is used to pour wealth in the pockets of the chosen few. Little attention is paid to crores of people from whom the machine snatches away their bread."

He did not ignore technology, but paid greater attention to problems created by it. Hence he suggested production by masses as an alternative to mass production. But the realist as he was, he did not rule out the need of large scale industries and urban markets. The co-existence of textile mills and charkha, he accepted as that of hotels and home kitchens.

Moreover, Gandhiji always believed in purity of means for reaching the end, and accordingly inscribed spiritual features to simple spinning over and above its economic role of spinning. To quote Gandhiji, "I have described my spinning as a penance or sacrament. And, since I believe that where there is pure and active love for the poor there is God also. I see God in every thread that I draw on the spinning-wheel" (YI, 20-5-1926, p. 187). He also attributed therapeutic use of the spinning wheel. The process of spinning is such that it requires concentration and helps getting steadiness of mind, and hence controls passion and relaxes the nerves. For this reason "the yarn we spin is capable of mending the broken warp and woof of our life" he claimed.

This multifaceted interpretation given to the ordinary spinning wheel made charkha the centre of his freedom movement and a symbol of Swadeshi as well as that of non-violence. Mahatma Gandhi said very clearly, "The message of the spinning-wheel is much wider than its circumference. Its message is one of simplicity, service of mankind, living so as not to hurt others, creating an indissoluble bond between the rich and the poor, capital and labour, the prince and the peasant. That larger message is naturally for all" (YI, 17-9-1925, p. 321).

Annexure:

HISTORY OF NATIONAL FLAG**Flag of India – Journey of Tri-color from 1904 to 1947**

With 60 years of Independence, National flag today with its khadi fabric, tricolor strips and Chakra in the centre is so casually accepted that one might get unmindful to a series of modifications that has brought about its present form. Though khadi programme has been an issue of constant debate, national flag production by KVIC has been a non-controversial element of its activity. Of course a number of committees, discussions, meetings, and brain storming sessions have taken place before the final decision could be arrived at. All these efforts reflect deep thinking, analytical attitude and broadbased philosophy of the people concerned.

Production of national flag is reserved for khadi sector and the KKGSS(F)–Karnataka Khadi and Village Industries Samyukta Sangh (Federation), Hubli has the permission of the Commission to produce the tri-colours. It is an A+ category institution for khadi production and sale and produces and supplies flags to the entire nation for all official purposes and premises.

For the production of National Flags, the Bureau of Indian Standards (BIS) has set some standards in the design, constructional details and other particulars regarding colour, size, thread count, strength of yarn, fastness of the colours used for dyeing etc., and any lacuna in this matter is to be considered as a serious offence.

The need to have the national flag was first felt when India's freedom movement against British rule gained ground in the beginning of the 20th Century. People's aspirations needed a symbol for the demonstration. An Irish disciple of Swami Vivekananda, Sister Nivedita came up with

the first flag of India in 1904. Thereafter, on different occasions different kinds of flags were designed and introduced. Obviously the main issue prevailing during that time took the central place as a symbol in the flag. The choice of colours was also indicative of some philosophy.

- i. Sister Nivedita Flag of 1904 was square shaped, with yellow inset depicting Vajra chinha. It had white lotus in the centre and Vande Materam was written on it in Bengali. Red colour signified freedom struggle, yellow for victory and white for purity.
- ii. Calcutta Flag of 1906 had three horizontal bands – orange, yellow and green, of equal width. It had eight half opened lotuses on top, sun and crescent moon on the bottom band and Vande Materam in Devnagri script in the centre. Sachindra Prasad Bose unfurled this flag in Parsi Bagan Square in Calcutta in protest rally against the partition of Bengal.
- iii. Berlin Committee Flag of 1907 was jointly designed by Bhikaji Cama, Veer Saverkar and Shyamji Krishna Verma. This flag also had three horizontal bands, having green for Islam, saffron for both Hinduism and Buddhism and red for freedom struggle. It depicted eight lotuses for eight provinces of British India on top band, crescent moon and sun at two ends of lowest band and Vande Materam in Devnagari script in the centre. This flag was unfurled in Stuttgart, Germany, by the Indian Revolutionaries at the Berlin Committee.
- iv. In 1916, Pingly Venkeyya of Machilipatanam (in present day Andhra Pradesh) designed common national flag, with Charkha on the red and green background as desired by Mahatma Gandhi. It was later modified to have white at the top, green in the centre, and red at the bottom, symbolizing the minority religions, Muslims and Hindus respectively. It had charkha across all the three bands. Though it was not

- approved as the official national flag, was used widely during the freedom movement.
- v. In 1917, Bal Gangadhar Tilak and Annie Besant adopted new flag for the Home Rule Movement. It had five red and four green horizontal strips. It had Union Jack signifying Dominion status, Crescent and a star on top fly in white, and Saptarshi (seven white stars arranged as constellation) on the flag. This flag however did not have general acceptance from the people.
 - vi. In 1921, Swaraj flag approved by the Indian National Congress incorporated charkha as the symbol depicting economic regeneration of India.

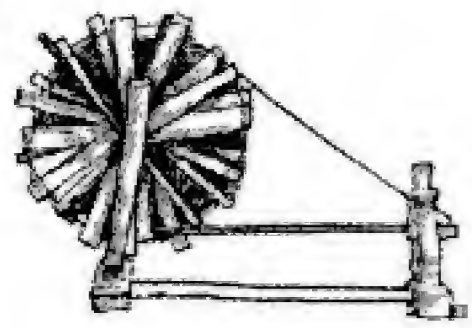
Pingali Venkayya who had met Mahatma Gandhi in Africa and continued to have good rapport with Gandhiji, came up with definite ideas about the flag. He had researched into 30 kinds of flags of different countries and evolved the design for the present flag. Of course his earlier versions were not approved by Gandhiji. In 1921, at Bezwada AICC meet, Pingali Venkayya brought the flag with two colors, red and green representing two major communities of the nation. Hansraj of Jallander suggested incorporating charkha as a symbol of progress and common man. Gandhiji too suggested, rather insisted, on addition of white strip to represent minority communities of India. Though this flag was not officially accepted by any resolution, it became popular and 1923 onwards; *i.e.* from the 38th session of the Congress held at Coconada at Andhra Pradesh, the flag began to be hoisted by Congressmen officially.

Mahatma Gandhi desired inclusion of Charkha as a symbol in the flag, but at the same time he was very clear that it should not have any communal bias as well as it should be acceptable to all parties and communities.

A few days prior to India's freedom in August 1947, the Constituent Committee was formed to discuss the issue of National Flag. Ad hoc committee comprised Dr. Rajendra Prasad as the head and Abdul Kalam Azad, K M Panikar, K M Munshi, Dr. Ambedkar, C. Rajgopalachari and Sarojini Naidu as members. After three weeks of deliberations they arrived at the present design of the flag and it was unfurled for the first time on 15th August 1947 for the Independent India. Dr. Sarvapalli Radhakrishna explained the colors of Tiranga, as saffron for renunciation or disinterestedness of political leaders towards material gains in life, white for enlightenment and lighting our path of truth to guide our conduct and the green for our relation to the soil. The Asoka chakra of the centre represented the law of Dharma. Philosopher and the educationist as he was, he looked at the National flag as a guiding force of our behaviour.

This is the Flag that is unfurled now on our Independence Day and Republic Day.

Chapter 3



CHARKHA – A SYMBOL OF NON-VIOLENCE

Once convinced about appropriateness of Charkha as the symbol of nationalism and Swadeshi, Gandhiji widened the implications – rather the virtues of spinning wheel beyond its economic rationale. In his great battle, with twin objectives of securing freedom from British rule and redeem people from deep poverty, if charkha was his chariot, truth and non-violence or satyagraha and civil disobedience were his major weapons. As swadeshi spirit was required to regenerate the economy, 'soul-force' and non-violence were to be at the root of his strategy of the battle. He believed that nonviolence cannot operate effectively unless you have faith in the spinning wheel. "The only form of non-violent work to be done by the largest number of men, women and children of the land, in order to regain the lost trade with its attendant activities, is the spinning wheel. Thus conceived it easily becomes the symbol par excellence of non-violence. The spinning wheel represents the millions in the villages as against the classes represented by the mill-owners and the like." (*Gram Udyog Patrika*, August 1945)

He wanted to bring about an economic revolution by discarding machine-made goods, or boycotting foreign goods. The programme of "non-violent non-cooperation" included the boycott of not only foreign cloth, but also councils, courts and schools, set up by the British. It may have sounded ridiculous to appeal to poor, not to buy cheaper cloth and spend more on domestic goods. This

behavior required restraint and spirit of nationalism in the people.

His appeal for courage and sacrifice had come at the time when the use of violence was the ultimate indication of power. The positive association between actual or potential capacity of physical violence and the status of the country was well accepted. Yet he recommended non-violence. As he said, "The accumulated experience of the past thirty years, the first eight of which were in South Africa, fills me with the greatest hope that in the adoption of non-violence lies the future of India and the world. It is the most harmless and yet equally effective way of dealing with the political and economic wrongs of the downtrodden portion of humanity.....non-violence is not a cloistered virtue to be practiced by the individual for peace and final salvation, but it is a rule of conduct for society if it is to live consistently with human dignity" and as history proved, it secured a ready response from the people.

This was because he himself had these qualities. It was because he was, a "naked fakir" as described by Churchill. He was the living example of austerity and self-sacrifice, which resulted in great emotional bonding between him and the Indian people. The voluntary nature of his freedom struggle was based on the strength of non-violent approach, which he learnt from his wife Kasturba. Very graciously he admits, 'I learnt the lesson of non-violence from my wife, when I tried to bend her to my will. Her determined resistance to my will on the one hand and her quiet submission to the suffering my stupidity involved on the other, ultimately made me ashamed of myself and cured me of my stupidity in thinking that I was born to rule over her and, in the end, she became my teacher in non-violence'(H, 24-12-1938, p394).

During his wandering in India he met as many weavers as possible and realized how they and their families had

retired from this once flourishing and honorable occupation. This made him aware that 'it is not so much British guns that are responsible for our subjection as our voluntary co-operation'. The need for disobedience arose from the fact that India was exploited because of the world competition which required mass production and vast markets. He sensed, no legislation can control this greed of large profits, only the force of public opinion and proper education can do this. In this context, the role of charkha was conceived as a nonviolent non-cooperation. He considered non-violence as 'the greatest force at the disposal of mankind. It is mightier than the mightiest weapon of destruction devised by the ingenuity of men'. He said, "Probably very few workers have noticed that progress of hand-spinning means the greatest voluntary co-operation among millions of human beings scattered over a very wide area and working for their daily bread. No doubt agriculture has required much co-operative effort, but hand-spinning requires still greater and more honest co-operation. Wheat grows more by nature's honesty than by man's. Manufacture of yarn in our cottages is dependent solely on human honesty. Hand-spinning is impossible without the willing and intelligent co-operation of millions of human beings. We have to arrive at a stage marked for his yarn as well as the supply of cotton slivers if he or she does not know the process of carding. Is it any wonder if hand-spinning can drive away as if by magic the growing pauperism of the masses?" (YI, 3-11-21, p. 350).

Not only the approach of non-violence but the voluntary nature of his freedom movement attracted the attention of the whole world. The renowned thinker Dada Dharmadhikari, has brought out this distinctive character of his movement in these words:

'God in the form of bread'

Then there is another thing that Gandhi said in very

unambiguous language. He said to the hungry, 'God must come in the form of bread.' The son of Varuna in the Upanishad asked his father, 'What is Brahma?' His father said, 'Find it out for yourself. Fast for 3 days and perhaps you will discover what Brahma is.' The son, fasted for three days, and could not think of anything but food and he came back and said "I have discovered what Brahma is." His father Varuna asked, 'What have you discovered, Son?' He said, "I have discovered that it is 'anna', it is food. That is the Brahma.'

All beings are born of food; they live on food and they die in food. That is the Indian mind today. So, the hungry man is either a beggar or a burglar. That has been of our country's bane. That is the basic defect in the Indian character which Gandhi wanted to overcome. So, he asked the hungry man neither to steal nor to beg, but to fast. This was something very unusual, asking the disarmed man to discard arms, asking the hungry to resort to fast: because fast is not hunger.

Hunger is a different thing. Fast is voluntary. It is this voluntariness that gave this country both inspiration and strength. This was Gandhi's distinctive contribution to our national life.

Mahatma Gandhi wanted to revive "cottage industry, and not cottage industries to remove the growing poverty". Moreover, he was very particular regarding the means employed for achieving the goal. Some of his statements on this issue make it very clear. He said, "The means may be likened to a seed, the end to a tree; and there is just the same inviolable connection between the means and the end as there is between the seed and the tree. We reap exactly what we sow.... Fair means alone can produce fair results, and that, at least in the majority of cases, if not indeed in all, the force of love and pity is infinitely greater than the force of arms. There is harm in the exercise of brute force,

never in that of pity" (M. K. Gandhi, *Hind Swaraj*).

He has also elaborated the importance of means in this way: "If I want to deprive you of your watch, I shall certainly have to fight for it; if I want to buy your watch, I shall have to pay you for it; and if I want a gift I shall have to plead for it; and according to the means I employ, the watch is stolen property, my own property, or a donation. Thus, we see three different results from three different means" (M.K. Gandhi, *Hind Swaraj*).

With this clarity and insistence for purity of means, charkha was adopted as the symbol of nationalism and nonviolence.

Though he had this conceptual clarity regarding role of charkha, he had not seen either spinning wheel or a loom till 1908 ! In fact, after returning from South Africa (1915), he set up an ashram at Kochrab near Ahmedabad and installed a loom and not charkha there! He himself has admitted that. He knew that Swaraj can be achieved by the same process that can remove starvation, but he had not seen the wheel until 1917.

In his autobiography, he has described how spinning entered the freedom movement in these words:

"We got a loom when the Ashram opened. I had difficulty getting a loom. All of us were ignorant, so it was not possible to run the loom after it was obtained. We who had gathered there knew how to wield a pen or do business. None of us was a craftsman. So we needed someone who would teach weaving. We got a loom from Kathiawad and Palanpur and a tutor also came...Maganlal Gandhi had craftsmanship, so he fully learnt the craft of weaving and new weavers emerged in the Ashram one by one.

Weavers were weaving all good fabric only from English yarn. We realised that we would remain dependent till we do not spin ourselves. But we neither found charkha nor a person who could operate it.

In 1917 in Bharuch Education Conference I found a very brave widow lady Gangabai. She had not studied much, but her courage and understanding was much more than what an educated woman would normally have... After wandering a lot in Gujarat Gangabai found a charkha in Gaekwad's Vijapur. Many families had a charkha but they had put them in the loft. They were ready to spin provided they were given slivers and someone purchased their yarn. Gangabai informed me and my joy knew no bounds."

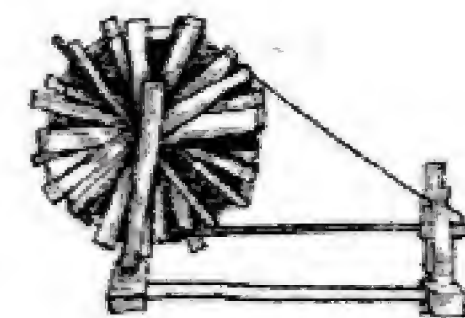
Thus it was Gangabai who brought the charkha to the ashram and later on Maganlal Gandhi made some improvements in the wheel. Gandhiji, gradually learnt the art of spinning. Ultimately spinning was included among the ashram vows and was made a part of daily routine.

Later on in a manifesto entitled "A Call of Truth", Gandhiji gave a command of 'spin and weave', which of course generated some disagreement in his followers. For them, his advocacy of charkha was taken to be "an obsession" and the spinning wheel was turned into a 'cult'. Rabindranath Tagore, e.g. felt that charkha distracted attention from other more important factors in our tasks of all-round reconstruction. However, in spite of such resentment from some quarters, the candidates for election had to be habitual wearers of khadi for the Congress party. School-children were also involved in spinning who in turn took message to their homes. Akhil Bharati Khadi Mandal (1924) and Akhil Bharati Charkha Sangh (1925) were formed and thus the whole nation was caught by this new meaning and interpretation of Charkha.

In pre-Independence period therefore the role of charkha and the role of khadi was well thought of and widely accepted. It succeeded in leading the freedom movement. But after the end of the British rule and in the absence of powerful towering personality of Gandhiji, our

country was exposed to the world of aspirations, competition, and material prosperity. The total acceptance of khadi or Swadeshi by the masses could not be taken for granted. Nor could the value judgments attached to khadi be sustained. Of course there was general agreement towards wider objectives of 'just society' but there was a noticeable change in the attitude at all levels.

With the emergence of new programmes and new instruments on economic front, the Government of Independent India could not possibly ignore the economic aspects or financial implications of the programme. Accordingly, high employment potentiality, production in decentralised units and comparatively low demand for scarce resources came to assume greater importance. Fuller utilisation of idle manpower rather than Swadeshi Spirit or non-violence formed the basis of the programme in post Independence period.



Chapter 4

CHARKHA IN PHYSICAL FORM

As described in earlier pages, Charkha - a spinning wheel is a device for spinning thread or yarn from natural or synthetic fibre.

When it was introduced by Gangaben in Sabarmati Ashram and Gandhiji made Charkha the symbol of Swadeshi, it referred to traditional charkha. Later on Gandhiji's co-workers and followers designed various models of charkha and manufactured them in different sizes and specifications.

A tabletop or floor charkha is one of the oldest forms. Box charkha is more common for personal use as its portability is more and can be taken wherever one travels, to maintain their daily routine of spinning. Its size varies from book-size to brief-case. Initially charkha had only one spindle. The charkhas introduced by KVIC incorporating the ring spinning technology are of multiple spindles ranging from two to twelve in number. Gandhiji had innovated double wheel drive, which allowed greater speed and control as well as portability. Now there are various technological possibilities and charkhas are available from traditional wooden charkha to all metal power driven spinning unit.

Self sufficiency khadi was on traditional charkha. And it is still in operation, in spite of the importance of commercial khadi. Neither the traditional charkha nor the production for self-sufficiency purpose has been withdrawn.

In 1923 Gandhiji announced an award of Rs. one lakh for technological upgradation, which would enhance the productivity while maintaining its basic characteristics and simplicity. With the encouragement and financial assistance from the All India Spinners' Association, one of its workers, Shri Ekambernath (of Papankulam, Tirunelveli, Dist. Tamil Nadu) invented two spindle wooden spinning wheel in 1949. In 1953-54, with further research and efforts, four spindle wooden charkha - Ambar, was developed and introduced. The Khadi Evaluation Committee of 1959 however disapproved the performance of Ambar charkha. Gandhiji was also not very happy about the performance of Ambar, as it is was found expensive and inconvenient for household operation.

This is because prior to Independence, spinning had different philosophy and therefore portability mattered, whereas after Independence the work-shed facility for spinning was developed and hence the higher spindleage was both- possible and necessary. Accordingly New Model Charkha was introduced in 1968 by KVIC (Khadi and Village Industries Commission) with the approval of Planning Commission, Govt. of India. Gradually, standards for charkha in collaboration with BIS [New Delhi] were also developed in 1999.

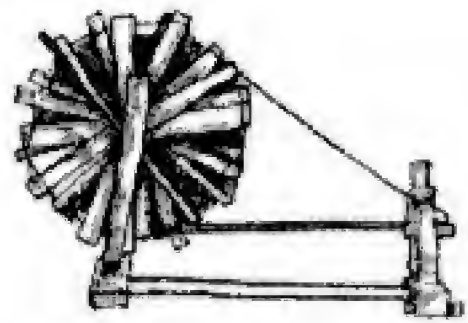
More recently, in 2007, E-charkha – a two spindle NMC charkha has been developed in association with Flexitron, Bangalore. This E-charkha is provided with a generator, which can be connected to / disconnected from charging simply by flipping a switch to on/ off mode. It enables a spinner to spin yarn and also generate energy. Such E-charkha is available in single, two and eight spindleage.

Spinning of E-charkha for only two hours a day claims to render the following benefits: (i) 2.4 hanks or 2400 metres of yarn is produced, (ii) Spinning on two spindle E-charkha for 25 days in a month will produce yarn sufficient for a

single bed-sheet, a bath towel and a shirt, and (iii) it generates enough energy for lighting of LED lamp and listening transistor continuously for 7 ½ hours.

In an era of degenerating environment, or global warming, it is to be noted that khadi activity is not based on use or burning of fossil fuel. It is therefore energy conserving cloth. Now with E-charkha, it is energy producing implement also. Thus E-Charkha is an innovation with multi-purpose use to help the khadi worker in keeping with earlier objective of improving the plight of rural poor.

Chapter 5

KHADI IN
INDEPENDENT INDIA

Khadi as a livery of freedom and as a symbol of unity shadowed its economic aspects. In the whole freedom struggle, the Congress party was instrumental in development of khadi. As early as in 1920, at the time of the Nagpur session, the Indian National Congress decided to encourage "Khadi" and introduced it as a political weapon. In 1923, All India Board was also developed under Indian National Congress by Gandhiji. Thus, by making khadi a special outfit for workers and a cloth for Indian flag the Congress established its identity or close association with both - khadi and Gandhi. After Independence when Congress assumed power as the ruling party, obviously 'livery of freedom' became the Congress uniform.

But after Independence, khadi programme having such a powerful position earlier, aroused various doubts regarding its utility in socio-political environment that changed significantly. Earlier it had gathered strength from a particular ideology, but with changing times, lifestyles and aspirations of people had also changed. In fact, general public was looking for justification to wear khadi, as if khadi had outlived its utility after gaining Independence and on the other hand the Congress government was trying to establish the case for khadi on economic grounds to be included in official planning programmes and thereby perhaps reflect their loyalty to Mahatma Gandhi.

Khadi activity thus was fixed in a peculiar situation. It

was clear that its association with the political party now would not help its marketability and secondly, it did not command any competitive edge in the open market as a regular marketable commodity. Yet another dimension to the problem is that, Gandhiji's views generally receive either total acceptance as being something sacrosanct or total rejection as vacant sentimentalism. Hence a group of khadi workers still apply a test of 'Gandhian Approach' to decide, whether a particular line of development is consistent with Gandhiji's Dream India and hard core economists evaluate khadi programme with reference to its opportunity costs in planning framework.

In fact, today the economic justification for continuing this programme needs to be established, beyond the emotional and short term reasons. It has to have its logical link with the development process, without the backward linkage of freedom movement. This need not be taken as disrespect to Gandhian philosophy, but as an acceptance of the fabric independent of value judgments and its suitability on economic grounds. It needs to be recognized as a 'brand' that has its own class of consumers. Now khadi need not convey 'a way of life', but can be promoted as a product and a production process that suits Indian environment as well as Indian economic structure. Therefore a change in khadi programme - in terms of concept and content, should be reviewed and analyzed objectively. This change in attitude and approach of the planners has definitely come about in slow but steady manner in each Five Year Plans.

Economic planning in Independent India

Conceptually, improvement in the standard of living of the people is a widely accepted aim of economic planning in all the countries irrespective of their political ideology or economic system. The immediate corollary to this objective

is to increase the output of basic necessities of life and adequate purchasing power to satisfy such needs. In operational terms it means higher production of basic necessities and higher employment opportunities for greater purchasing power.

At the time of Independence, India faced poverty, inequality and unemployment as the major issues warranting urgent attention. To get the optimum benefits from available national resources, there has to be the optimum combination of all factors of production. The product-mix has to be such as to satisfy the basic needs as well as desire for improved lifestyles of different classes of people. In other words, in this changed economic scenario, the attitude of not only the producers, sellers and buyers had changed, but that of the financiers i.e. the government had also changed. There was a need for new operational channel consistent with political and economic philosophy of Independent India. In this context the relevance of planning strategy and the role of planning machinery assumes importance here.

Of course, during British rule also there were some efforts of having economic planning. The colonial government of India formally established a planning board that functioned from 1944 to 1946. Private industrialists and economists had formulated development plans. After the change of the government, however, the efforts of systematic planning were more organized. The development being a continuous process, planning strategy needed to be viewed comprehensively and in a longer perspective.

Hence after India gained independence, a formal model of planning was adopted with a clear concept of long range objectives. Each individual plan for a limited period i.e. five years is the starting point for more sustained effort covering another specified period. Each step forward

is expected to open out new areas and bring into view new problems to be solved. In fact planning or programming, for a particular period 'is both an assessment of the past and a call for the future' (Second Five Year Plan).

It was with this vision that the Planning Commission was set up on 15 March 1950. Since then the Planning Commission formulates the Five Year Plans for effective use of national resources. It also determines priorities, and allocation of resources for the Plans as well as identifies requisite machinery for successful implementation of the Plans. As noted in the Plan Document, 'the central objective of public policy and of national endeavour in India since independence has been promotion of rapid and balanced economic development'. The role of Khadi therefore has to be fitted in this framework.

Importance of Rural sector in Indian Economy

The rural sector of our economy deserved special attention, not only due to the size of the population involved but also due to its neglect during British rule.

Some of the salient features of this sector, prior to and after Independence can be listed as follows:

- Per capita income and expenditure in rural areas are lower than their urban counterparts, even after making allowance for difference in cost of living.
- This is mainly because, the rural economy is less diversified and agriculture does not provide enough employment and income to all those who are dependent on it.
- Hence there is need to absorb workers in non-agricultural sector. But the socio-economic nature of rural labour force restricts the availability of workers to a significant extent for a continuous period and away from their main activity area.
- The urban sector on the other hand has the problems

of its own and is not in a position to absorb the natural increase in urban population, leaving aside migrants from rural areas.

In such circumstances, there is a wide agreement that rapid industrialisation in terms of large scale industries cannot be accepted as a panacea for all economic ills. Rather, different types of industries at different levels will have to be developed and the decentralised industrial development can play a positive role in this context. It can provide income and employment to larger number of people, whenever they are free and wherever they are. The main considerations which influenced the importance given to village and small industries in rural areas and general industrial development programmes were set out at length in the First and Second Five-Year Plans in these words:

"The primary objective of developing small industries in rural areas is to extend work opportunities, raise incomes and standard of living and to bring about a more balanced and integrated rural economy. Inevitably, in rural areas, the traditional industries have to be given immediate consideration. As the rural economy develops, technical changes will take place in different fields and correspondingly, the pattern of rural industrialisation will also change from simple crafts meeting elementary needs to small industries based on steadily improving techniques and designed to satisfy the needs of a more advanced character. These developments will necessarily be spread over a long period; in the meantime, support through legislation and various positive measures of organisation and assistance for the existing village industries is absolutely vital to the stability and growth of the village economy.

Thus, the sector of village and small industries is not to be viewed as a static part of the economy, but rather as a

progressive and efficient decentralised sector which is closely integrated, on the one hand, with agriculture and, on the other, with large-scale industry" (Chp. 20).

At operational level, the First Five year plan was intended to strengthen the economy at the base and to initiate institutional changes which would facilitate more rapid advance in the future. It also aimed at meeting certain urgent problems that had arisen out of the war and partition. However, for khadi and village industries, two important steps were taken during this Plan period; firstly the Central Government set apart substantial finance for the development of villages and small industries and secondly, to deal with the problems of handloom industry, khadi and village industries, handicrafts, small-scale industries, sericulture and the coir industry a network of all-India Boards was built up.

In the Second plan also the different aspects of village and small industries were taken "as the integral and continuing element both in the economic structure and in the scheme of national planning." During the later part of the Second plan, with the setting up of various special organisations, the ground was prepared for programmes of larger magnitude.

In this manner the khadi programme was incorporated as a special component of economic planning, not only in the First Five Year Plan, but in subsequent Plans also. But there is a distinct departure from 'Gandhian concept' of khadi which emphasised local resources, local markets and low capital investment. In Gandhiji's words, "The mission of khadi is not merely to supply the townspeople with fashionable khadi that will vie with the mill manufacturers and thus like other industries supply a few artisans with employment, but it is to become a supplementary industry to agriculture. Just as the villagers cook their own roti or rice, so must they make their own khadi for personal use.

The surplus, if any, they may sell."

Khadi of later years after Gandhiji, however, was to be commercial and market-oriented. The Annual Report of the Ministry of Agro and Rural Industries (2006-07) clearly mentioned that "the growing pace of international trade and globalisation presents both opportunities and challenges for the Indian economy, including the small enterprises sector, which consists of small scale, agro & rural industries and service/ business entities" (1.1.1 /.2). In other words, now khadi had to be more commercial and was expected to aim at wider markets.

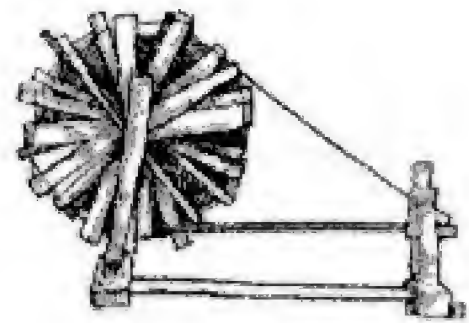
PLANNING COMMISSION

After India gained Independence, a formal model of planning was adopted, and the Planning Commission, reporting directly to the Prime Minister of India was established. Accordingly, the Planning Commission was set up on 15 March 1950, with Prime Minister Jawahar Lal Nehru as the chairman. The composition of the Commission has undergone a significant change since its inception. With the Prime Minister as the ex-officio Chairman, the committee has a nominated Deputy Chairman, who is given the rank of a full Cabinet Minister.

Cabinet Ministers with certain important portfolios act as part-time members of the Commission, while the full-time members are experts of various fields like Economics, Industry, Science and General Administration. The majority of experts in the Commission are economists, making the Commission the biggest employer of the Indian Economic Services.

Some of the basic functions of the Commission include: (i) Assessment of resources of the country (ii) effective use of these resources (iii) determination of priorities, and allocation of resources for the Plans, (iv) determine the machinery which will be necessary for the successful implementation of each stage of plan, (v) periodical appraisal of the progress of the Plan, and also (vi) indicate the factors which are hampering economic development.

Chapter 6



ORGANISATIONAL STRUCTURE FOR KHADI PROGRAMME

Presently, Khadi and Village Industries Commission, popularly known as KVIC, is assigned responsibility of promoting and developing khadi and village industries. These industries are expected to provide employment opportunities in the rural areas, and thereby strengthen the rural economy. KVIC is a statutory organisation established by an Act of Parliament and is identified "as one of the major organizations in the decentralized sector for generating sustainable rural non-farm employment opportunities at low per capita investment." It also undertakes activities like skill improvement, transfer of technology, research and development, marketing, etc., in the process of generating employment/self-employment opportunities in the rural areas. (Ministry of Agro and Rural Industry-Annual Report -2006- 07, para - 1.3.1).

For organising khadi activities systematically in pre-Independence period, as early as in 1925 and 1935, All India Spinners' Association and All India Village Industries' Association were formed. Later on the Constituent Assembly included Cottage Industries in Rural Areas among the directive Principles of the Constitution [Article 43] and after Independence the Government of India recognized the role of Rural Cottage Industries in the Industrial Policy Resolution of 1948.

Thus realising the need of decentralised development and the role of khadi and village industries there in, the

First five-year Plan acknowledged the need of a formal body for Khadi and Village Industries. Accordingly setting up of a Board for Khadi programmes was recommended. In accordance with these recommendations, the Government of India set up All India Khadi & Village Industries Board in January, 1953 (AIKVIB).

In 1955 it was decided that a statutory body should replace the Board and KVIC Act was passed in 1956. In 1957 KVIC came into existence as a statutory organisation.

The present status of KVIC however is an outcome of series of modifications in its composition, powers as well as areas of activities, introduced during different Five Year Plans⁶. The basic rationale of all these amendments has been "to help the KVIC become more professional and relevant in time to come and be better equipped in the discharge of its key role in facilitating generation of sustainable and wide-spread employment in the rural areas of the country."

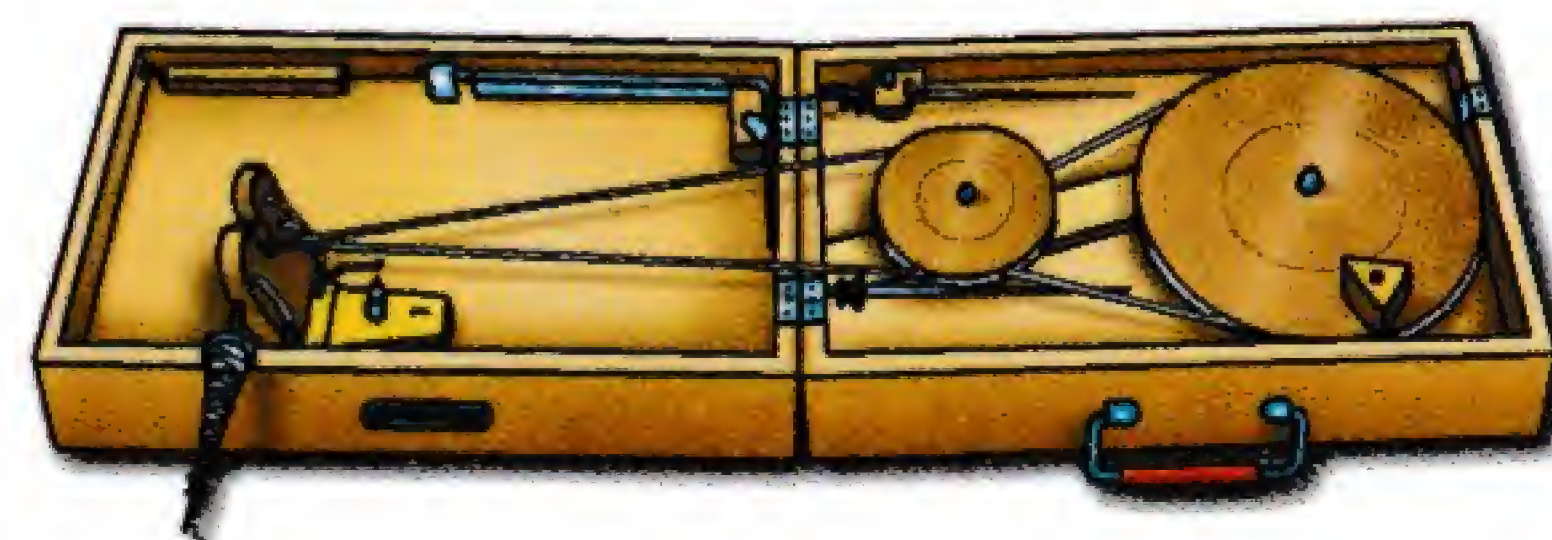
6. With changing demands of time and as a part of the exercise of the National Common Minimum Programme, the Government decided to revamp the Khadi and Village Industries Commission (KVIC). 'The need to take effective measures to introduce modern management practices in the KVIC and to make khadi and village industry products competitive in the globalised economy necessitated reconstitution of KVIC.' Accordingly, the Government dissolved the Commission in October 2004 and constituted a ten-member Expert Committee in December, 'to review the existing structure, functioning and performance, etc., of the KVIC and recommend suitable measures for its revamping.' The Expert Committee submitted its report in April 2005. Major amendments were effected to the Act in March 2006. Among other things, the Expert Committee recommended amendments to the existing Khadi and Village Industries Commission Act, 1956, mainly with regard to (i) change in the composition of the Commission, (ii) provision of a consultative mechanism at the zonal level, (iii) provision for reconstitution of the Commission after dissolution, redefinition of the powers of Commission, Chairman and Chief Executive Officer (CEO), KVIC, etc. (2.1.6)

The basic objective of promoting khadi changed from being a symbol of Swadeshi spirit and non-violence to its employment potential. At the same time, there was a change in the pattern of organization to suit the changed environment after Independence. The administrative channel for KVIC has also changed over the period. Earlier, KVIC was under the administrative control of the Department of Small-scale industries and Agro and rural industries in the Ministry of Industry, which was established in October, 1999. It was to be the nodal Ministry for formulation of policies and Central sector programmes/schemes. In 2001 these two Ministries were bifurcated to have separate Ministries. This was done with the objectives of facilitating coordinated and focused policy formulation and effective implementation of programmes, projects, schemes, etc. However, later on in 2007, these Ministry of Agro and Rural Industries (Krishi Evam Gramin Udyog Mantralaya) and Ministry of Small Scale Industries (Laghu Udyog Mantralaya) were merged into a single Ministry, namely, "Ministry of Micro, Small and Medium Enterprises (Sukshma, Laghu aur Madhyam Udyam Mantralaya)" *i.e.* MSME.

Now this Ministry - MSME is the nodal agency for co-ordination and development of Khadi and village industries programmes and tiny and micro enterprises in both urban and rural areas. The implementation of two major country-wide employment generation programmes, namely, the Rural Employment Generation Programme (REGP) and the Prime Minister's Rozgar Yojana (PMRY), are coordinated by the Ministry of MSME. The PMRY is operative in both - rural and urban areas. Both these schemes are credit-linked capital subsidy based programmes of the Indian Government. For the purpose, the Ministry has two statutory organisations viz., the Khadi and Village Industries Commission (KVIC) and the Coir Board. The



Gandhiji spinning cotton on a charkha



An illustration of peti charkha (Illustrator: Naresh Varma)

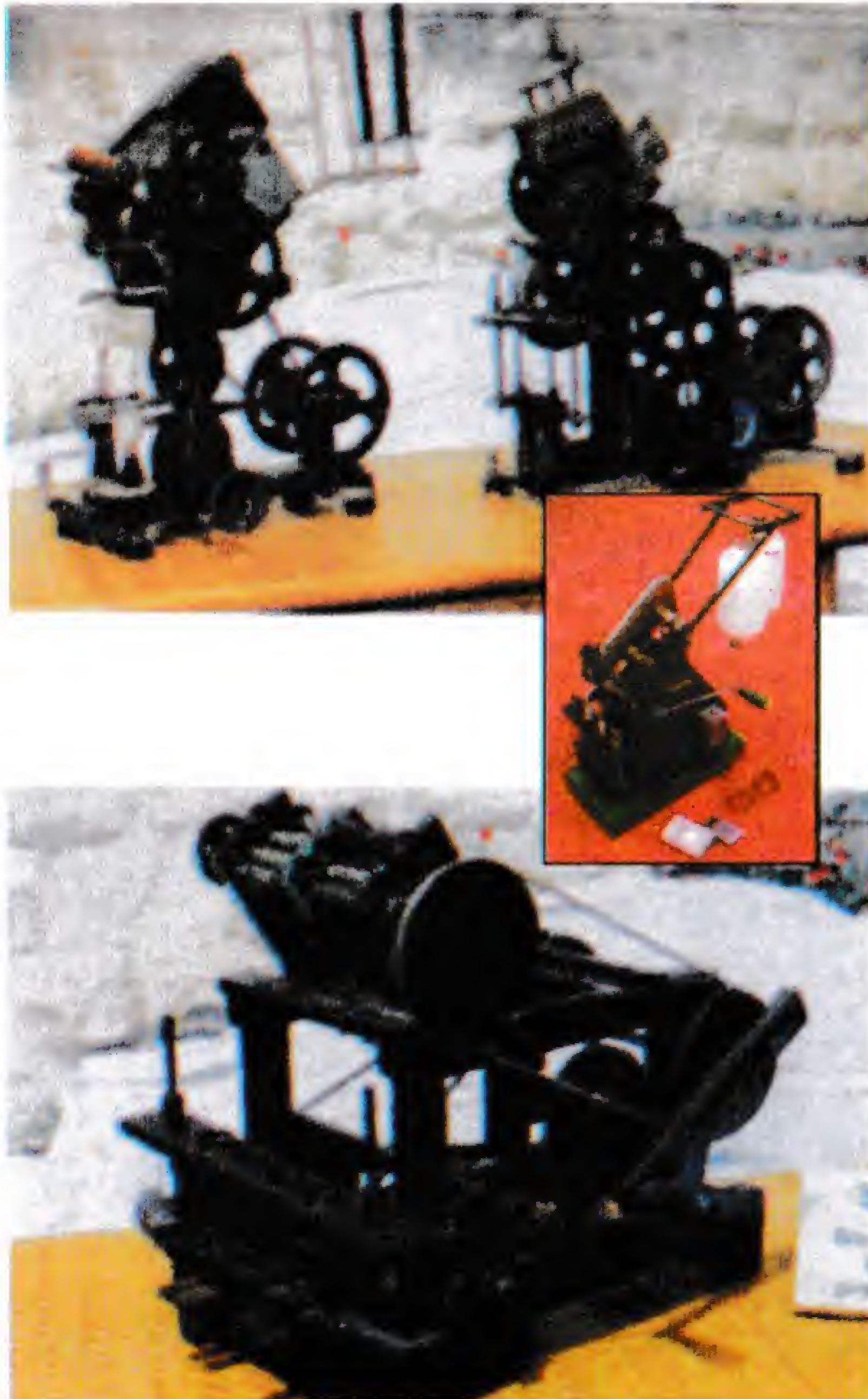


Gandhiji leading a march of freedom fighters—all clad in khadi



New model charkha

Models displaying designer khadi outfits



Various models of charkha

REGP is implemented by the KVIC in collaboration with the State Khadi and Village Industries Boards and banks, and PMRY is implemented by the State/Union Territory (UT) Governments/ Administrations in coordination with the RBI and other banks. The Ministry has also launched a new cluster development scheme, namely "Scheme of Fund for Regeneration of Traditional Industries" (SFURTI) which is implemented through both organizations - KVIC and Coir Board.

The khadi programme comprises hand spun and hand woven cloth as in pre-Independence period and consists of cotton, woolen, muslin and silk varieties. The major share in terms of quantity of production and employment is obviously cotton khadi. The village industries programmes have been classified into seven broad groups as under:

- (i) Mineral Based Industry
- (ii) Forest Based Industry
- (iii) Agro based and Food Processing Industry
- (iv) Polymer and Chemical Based Industry
- (v) Rural Engineering and Bio- Technology industry
- (vi) Hand Made Paper and Fibre Industry
- (vii) Service \ Textile \ Polyvastra⁷ Industry.

The KVIC does not assist or promote village industries which are 'either not eco-friendly or are against the ideology and ethos of Mahatma Gandhi.' Hence industries connected with meat (slaughter) production/manufacturing or sale of intoxicant items like beedi/pan/cigar/cigarette, etc., tapping of toddy for sale, and manufacturing of carry bags or containers made of recycled plastics for storing, carrying, dispensing or packaging of food-stuff etc. are not assisted

7. Polyvastra is also the handspun and hand woven cloth, but is obtained by blending polyester staple fibre, instead of cotton, with other natural fibers and hence is differentiated from khadi. Therefore it is being treated as one of the village industries.

by the Khadi Commission. Obviously, therefore one would expect khadi also to be 'eco- friendly' and compatible with 'ethos of Mahatma Gandhi' in post- Independence period as well.

All industries under MSME are considered, as "the engine of economic growth and a tool for promoting equitable development". Their contribution to the country's industrial production, exports, employment and creation of an entrepreneurial base are accepted reasons and logic for their development. Obviously therefore khadi, village industries, and coir industry have to justify their inclusion in the Small scale sector on these counts.

Khadi and Village Industries Commission

The KVIC is entrusted with the responsibility of planning, promotion, organisation and implementation of programmes for the development of Khadi and other village industries in the rural areas. The coordination with other agencies engaged in rural development is also sought (wherever necessary), but it maintains and propagates Gandhian principles of non-violence and helping the 'rural poor' as far as possible.

Since operational area of khadi and village industries is nationwide, the structured organization is necessitated. With KVIC at the apex level, the State Khadi and Village Boards (KVIBs) are state level agencies and are constituted under the Act passed by their respective State Legislatures. These Boards have the responsibility of implementing khadi and village industries activities consistent with various policies formulated by KVIC as well as by the respective State Governments. Khadi programmes are implemented through institutions and co-operative societies registered either with KVIC or State KVIB.

KVIB implements 90% of Village Industries programmes, whereas implementation of khadi

programmes is looked after mainly by KVIC. It also takes care of the remaining Village Industries programmes not undertaken by the Board.

As per the Annual Report of the KVIC (2006-07), there are 30 State khadi and village industries boards, over 3500 institutions and over 29000 co-operative societies. There are around 14200 sales outlets in the country in KVI Sector. The headquarters of the KVIC is in Mumbai and it has its State and Regional Offices in all the States. The six geographical zonal committees (East, West, North, North-East, Central and South) are constituted to facilitate the implementation of KVI programme at zonal level and keep the Commission informed about the performance.

At the main office, there are 13 members at the policy making level after reconstitution of the Commission by the Government in 2006. (Six zonal members including Chairman and two official members function as the Chief Executive officer and the Financial Advisor to the Commission and other experts are from the field of education, science and technology, marketing, banking etc). The organisational structure of KVIB is more or less similar to KVIC headquarters in various States. KVIB's are headed by Chief Executive Officer and supported by Financial Adviser, Executive officers, Registrar, Development Officers, Accounts officers, Technical officers and administrative staff.

On account of these multiplicity of administrative positions, there is a general feeling and which is also confirmed by the Programme Evaluation Organisation of the Planning Commission (2001) that there is a huge paraphernalia of administration, not only at the apex body but also at various levels *e.g.*, The Chief Executive Officer (CEO) at the Head Office is assisted by Joint CEO, Financial Adviser, four Deputy CEOs, Chief Vigilance Officer and about 44 Directorates of different divisions with supporting

staffs. KVIC has also marketing and training centres looked after by Manager/Director and Principal respectively in most of the States. There are also special officers for special projects like Central Sliver Plant, workshops, extension centres with supporting staff. The State KVIC offices are situated at 30 State/UT capital headed by a Director. Zonal offices are headed by a Deputy CEO and supporting staff. Khadi sector is being looked after by about 16 Directorates and there are about 20 Directorates to implement and monitor the Village Industries Programme. Directorate of Economic Research co-ordinates the activities of other Directorates and conducts periodic surveys and studies. The Study has also pointed out that, 'there are multiplicity of directorates and officers are found to hold more than one division under their charge' [Chp. 3].

Such organisational pattern would obviously have its impact on the efficiency and costs.

Objectives and Functions of KVIC

The broad objectives that the KVIC has set before it are...

- The social objective of providing employment.
- The economic objective of producing saleable articles and
- The wider objective of creating self-reliance amongst the poor and building up of a strong rural community spirit.

These objectives are also presented as the Citizen Charter. This Charter clearly indicates that the KVIC forms a link between Gandhian Khadi of pre independence period and commercial khadi of post Independence period. There is an attempt to strike a balance between Gandhian philosophy and economic considerations of policy makers of Independent India.

KHADI & VILLAGE INDUSTRIES COMMISSION - CITIZENS' CHARTER

- **MISSION** - Creation of employment opportunities in Rural Areas.
- **VALUES** - To uphold the dignity of labour.
- **COMMITMENT** - Development of Khadi & Village Industries.
- **SOCIAL OBJECTIVE** - Providing employment with focus on women and other weaker sections of the society.
- **ECONOMIC OBJECTIVE** - Making use of locally available raw material and skill.
- **WIDER OBJECTIVE** - Creating sense of self-reliance among the rural people.
- **PROMISE** - Transparency, responsiveness and prompt action on queries/request from the target group.
- **GUIDANCE, HELP AND COMPLAINT** - Contact public relation officer at KVIC.

The KVIC has a variety of functions and responsibilities for promoting and producing khadi. It takes initiatives to promote spinning by providing raw material to the artisans, at the same time train them for producing 'saleable' products and also make arrangements for reaching the final product to the consumers in the market. As per the Annual Report [2003-04] 'the main objectives of the KVIC include skill improvement, providing employment in rural areas, transfer of technology, rural industrialization and promoting self-reliance among the people.'

Officially, the functions and the rules made there under are prescribed in the KVIC Act of 1956 (See Appendix 1).

The scope of KVIC is so wide that it not only initiates spinning but also makes sure that there are enough reserves of raw materials and implements and they are made available to 'persons engaged or likely to be engaged' in khadi programmes. Moreover, not only maintaining the present activities, the KVIC is charged with the responsibility of encouraging and promoting research in the production techniques and equipment employed in the Khadi and Village Industries sector and providing facilities for the study of the problems relating to it.

In this context, the KVIC promotes the use of non-conventional energy and electric power with a view to increasing productivity, eliminating drudgery and otherwise enhancing their competitive capacity keeping in mind the welfare of the artisans.

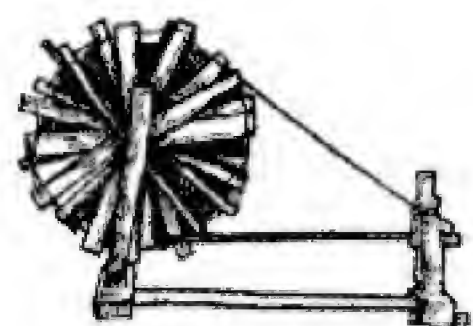
Further, the KVIC is entrusted with the task of providing financial assistance to institutions and individuals for development and operation of Khadi and village industries. The source of finance, obviously is funds allocated by the Centre in the Five Year Plans. To make Khadi competitive for the final consumers, the Commission has to provide rebates and this in turn requires certification from the KVIC. Therefore in implementing KVI activities, the KVIC is also expected to take such steps as to ensure genuineness of the products and to set standards of quality and ensure that the products of Khadi and village industries do conform to the standards.

To sum up, the KVIC is multifaceted organisation attempting to reconcile mutually conflicting objectives in basic philosophy of khadi programme. KVIC is the organization of Independent India, where khadi is no longer produced for self consumption or for patriotic motive. It is for commercial purpose and hence marketability is an important aspect. The production process, therefore, with its capital expenditure and demand on local resources need

to be justified. Its market has to stretch from local to global level.

As a result, many a times, the consumers or society in general, get mixed signals from the government policies, and from the Commission quarters regarding philosophical framework of this programme. The co-existence of Gandhian Khadi and commercial khadi receives severe criticism from two opposite quarters, veteran Constructive workers of khadi programme on one side and analysts of political or economic policies on the other. The fact is that Gandhian approach was relevant at that time and with changing times, the change in the lifestyles and aspirations of people are also natural. The role of KVIC therefore is to popularise khadi in the new environment, retaining the basic values of Gandhian philosophy of helping rural poor. In other words, this fabric can still remain 'a tool of economic freedom' and 'a means of livelihood with dignity'. For providing better life in the rural sector, there has to be employment opportunities in rural areas itself during off season in agriculture and without creating any problems of migration or commuting to work place for the artisans. Khadi can have an important role in this context in present times.

Chapter 7



FINANCIAL ASPECTS

Funds required for implementing and promoting khadi programme during British rule was never an issue for obvious reasons. All India Spinners' Association could obtain requisite funds from general public as well as from big industrialists and rich people of the society (as and when needed) very easily. This was because it was the basic instrument of the freedom struggle adopted by Gandhiji and Congress party had patronised khadi activities with all its implications.

After the Independence, obviously and logically the financial requirements of KVIC were to be met by the Government of India, headed by the Congress. The Khadi and Village Industries Commission Act mentioned that "the Central Government may after due appropriation made by the Parliament by law in this behalf, pay to the Commission in each financial year, such sums, as may be considered necessary for the performance of the functions of the Commission, under this Act." In other words, the budgetary support constitutes the major source of finance for the KVIC activities.

In practical terms, the programme of Khadi and Village Industries forms a part of the Five Year Plan as a component of small and village industries sector. This sector as per the Plan document comprises (a) Traditional Industries such as Khadi, Village industries, Handloom, Seri culture, Handicraft, and Coir and, (b) Modern Industries like Small

Scale Industries and Powerlooms. The annual demand of funds put forward by this sector constitutes a part of the Government budget. The annual budget which shows the income and expenditure of the Government for each financial year is based on elaborate analysis of past performance and future estimates of each sector of the economy. Programmes listed in the Plan Document in terms of physical targets to be achieved in five years have their financial implications and for each financial year, there is an annual budget designed in the framework of the Five year plan. The financial provisions in the budget therefore reflect the extent of budgetary support for each programme of various sectors.

To decide the budget allocations, detailed information of all the relevant aspects of various programmes such as production, employment, income generation, return on investments etc. is required so that their claim on common national resources is justified. Obviously therefore, the performance of each constituent is tested and evaluated for its cost efficiency and resource use.

Financial requirements of KVIC thus indicate the funds needed for khadi and village industries to achieve the target, which also shows its dependence on the Government support.

The KVIC has an elaborate process to prepare its budget estimates. Just as the Government takes into account past performance of the Commission to consider its annual demands, the Commission evaluates the performance of its implementing agencies for considering their demands. In order to facilitate formulation of the plan every year, KVIC conducts discussions with its implementing agencies to fix the financial and physical targets for each of them, considering various factors like availability of infrastructure, past performance, potentiality of various KVI programmes etc. A proforma is issued to the implementing

agencies and to the State Boards calling for information. On the basis of this data, the Commission estimates the availability of funds with the implementing agencies and the quantum of additional funds required. This provides the basis for formulating the budgetary requirements of the Commission to be sent to the Government. In these matters the Commission is assisted by the State Level Budget Team (SLBT) and advised by the Financial Adviser appointed by the Central Government.

For receiving funds from the Government and disbursing them to the implementing agencies, the KVIC has to ensure the genuineness of the receiving agencies. Therefore, there is need for certified institutions. Certified units avail the facilities provided by the KVIC such as financial assistance, supply of raw materials, rebate on khadi sales, technical guidance, marketing support, etc.

There are six Zonal Certification Committees, with the Central Certification Committee at Mumbai. As per the KVIC Act, it is necessary for any khadi institution/individual unit under Village Industries to possess the Certificate from the Certification Committee to get any kind of financial/technical assistance from KVIC. The eligibility criteria for obtaining a certificate from the KVIC are: (i) Registered societies/institutions under Societies Registration Act with the aim to implement KVI Programme in the rural area with no profit no loss motive, (ii) institutions intend to implement KVI programme should be registered as per the model by-laws of KVIC, (iii) the process of manufacture/activities has to be in line with the approved pattern of KVIC.

The funds provided from the budgetary sources of the Government of India are credited as per the KVIC Act under broad Heads such as (i) Khadi, (ii) Village Industries, and (iii) General and Miscellaneous. They are further classified as Plan and Non-Plan expenditures.

Plan expenditure includes grant and loan for khadi and village industries, grant for science and technology, interest subsidy on Govt loan for khadi and village industries, and provisions for other new schemes.

Non-plan expenditure includes mainly administrative expenditure, the interest subsidy in lieu of interest on Govt loan for khadi and village industries, grant for khadi and village industries for science and technology, and loan for granting loans and advances by the KVIC. Some of the expenditures are thus common in both the categories (These are the heads mentioned in the Annual Report of the Commission, Table 4.1 of 2007-08).

The financial features of KVIC reveal two peculiar items of expenditure indicating its dependence on the Government. One is Interest subsidy on Government loan provided at the production level and another is sales rebate given for final sale to the consumer. Both are committed expenditure from the budget provisions since long and yet they are labeled non-plan expenditure. The classification of Plan and Non – plan expenditure therefore is considered arbitrary by several evaluation studies or committees.

In general, the major share of budgetary finance is used for working capital (more than 80% in case of khadi and 60% in case of village industries) and capital expenditure is nominal. In simple terms, the programme depends heavily on Government support for its routine working.

The pattern of finance also reveal that except for token provision of loan, grant-in aid accounts for major share of the budgetary support.

In broad terms, khadi grant caters to the need in respect of rebate on retail sales of khadi, interest subsidy on bank loans availed to carry out khadi activities and projects under PRODIP (Product Development Design Intervention and Packaging). The village industries grant serves the purpose of rebate on retail sale of Polyvastra and interest subsidy

on bank loan, projects under PRODIP, RISC (Rural Industries Service Centre) and creation of general and miscellaneous fund. This fund is expected to meet other promotional expenditure which are common in nature for khadi and village industries.

In case of government loans, whenever they are provided, the repayment time limits are mentioned, which is normally five years. However, under Khadi programme, the implementing agencies are permitted to retain this as working capital without refunding. Usually these loans are renewed every 5 years when they become due for repayment. In reality therefore, the provision as well as repayment of loans is for book adjustment without any cash flow of refund. This renewal of past loans amount to approximately 75 to 77% of the non-plan budgetary support for which no real resources are being given. In other words, these figures only reflect the extent of Government commitment and give a confusing picture regarding the cash flow funds and liquidity with the Commission. In turn it also gives wrong impression to general public in society when there is demand for additional funds by the KVIC.

Besides the budgetary support, KVIC also generates resources every year in the form of credit from the Consortium Banks (since 1995-96) to facilitate the need for additional funds and to overcome shortage of finance.

KVIC has introduced the Interest Subsidy Eligibility Certificate scheme. This scheme is implemented in collaboration with the Reserve Bank of India, and has the support from the Government.

Under the Interest Subsidy Eligibility Certificate (ISEC) scheme the working capital requirements (which is the major expenditure head) of institutions registered with KVIC and State KVIB are met. Based on the assessment made by the KVIC about the loan requirements of the implementing institutions, the ISEC is issued so that banks

can provide working capital as per their credit decision. As stated earlier the implementing agencies pay only 4 % interest and the difference between this and the actual rate charged by the bank is directly reimbursed from the grant given by the Government to Khadi and village industries programme through CBC (Consortium of Bank Credit). It also obtains refund of non-utilised grants and loans from its subsidiary state units and institutions.

Other employment generation programmes of KVIC, such as Rural Employment Generation Programme (REGP) and Scheme of Fund for Regeneration of Traditional Industries (SFURTI) and village industries of Coir Board have separate financial provisions.

Under REGP, a scheme which aims at developing entrepreneurial skill and aptitude among rural people, grant is provided for 'margin money assistance'⁸. Margin money is a credit-linked capital subsidy provided in conjunction with bank credit to entrepreneur for setting up village industries projects in the rural areas.

For another scheme, SFURTI, since the Commission is made the nodal agency, the funds are routed through it. The budgetary allocation for these schemes as well as for Special Employment Programme (SEP), the funds cannot be sectorally bifurcated. Hence to arrive at total resource allocation for khadi vis-a-vis village industries more detailed information will be needed.

8. Capital subsidy in the form of margin money is provided at the rate of 25% for the projects which cost upto Rs.10 lakhs. For the projects above Rs.10 lakhs and upto 25 lakhs, Rs.2.5 lakhs plus 10% on the balance project cost is given as margin money. The borrower invests 10% of the project cost and the bank sanctions loan for remaining 90% of the project cost. After sanctioning of the project, the eligible amount of Margin Money is kept as term deposit of two years in the account of the borrower and thereafter it is transferred to borrower's loan account. (Source : Annual Report of Agro and Rural Ministry, 2006-07, p. 44)

The general observation however is, that for the Commission as a whole, budgetary support constitutes 65 to 67% and CBC (Consortium of Bank Credit) constitutes 33 to 35%. From the budgetary sources, approximately 47% are used for khadi and rest for village industries (Khadi Commission Annual Report-2007-08, p. 50, table 4.6).

Another debatable issue regarding khadi finance is the issue of Sales Rebate. Rebate on sales of khadi and khadi products is made available by the Government so as to make the price of khadi competitive with other textiles. Normal rebate (10%) all over the year and an additional special rebate (10%) for 108 days are given to the customers from funds made available through budgetary support of the Ministry of Agro and Rural Industries under the Khadi grant head.

Rebate is allowed only on the sales made by institutions/centres run by the Khadi and Village Industries Commission, the Khadi and Village Industries Boards and also at the sales centers run by the registered institutions who are engaged in the production of khadi and polyvastra⁹ (Annual Report of ARI Ministry 2006-07, para - 3.8.3, p. 26).

9 As a follow up of Expert Committee Report, an Inter-Ministerial Committee consisting of representatives from Ministry of Finance, Ministry of Rural Development and the Planning Commission was constituted to consider the continuity of the existing scheme of providing rebate on retail sales or suggest alternatives to this scheme. The Committee submitted its report in March, 2006. On the basis of the suggestions made by this Committee, four pilot schemes based on alternative modules of existing rebate scheme were introduced in few khadi institutions for implementation over a period of two years. These pilot schemes relate to protecting this programme at different levels such as purchase of raw material, or sale at final market or based on the retail sales turnover of the institution or without any restriction on use of assistance and products on which the rebate is to be given etc.

In the process of revamping Khadi Commission and making khadi and its products professional and competitive, modification of the rebate scheme is being considered as an important step. The omission, if possible, also is considered as an alternative. This is mainly due to uncompetitive nature of this programme in modern market environment and heavy burden on the Government resources¹⁰.

Yet another peculiar feature of this programme revealed by its financial pattern is about the utilization of the funds. If shortage of fund and search of other avenues for funds is an issue, there is also a statistical evidence to suggest underutilization of available fund. During 2007-08, the flow of loan from the banks was only 52% for khadi and 37% for Polyvastra of the ISEC issued.

In simple terms, this programme utilised more than Rs. 100 crores of budgetary funds (approximately 96%) for production purpose and for sales. It is not surprising therefore that the economic justification is sought for this programme.

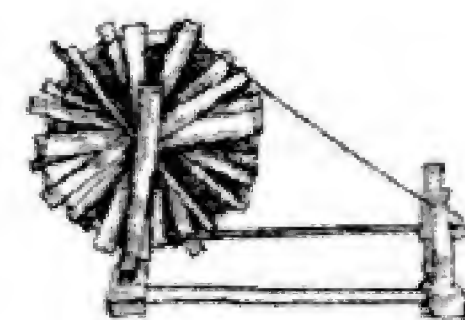
Based on the findings of the above pilot schemes after their operation over two years or earlier, final decision on the continuation of the rebate scheme or replacing it with the most appropriate alternative to this scheme, shall be taken (ARI Ministry's AR 2006-07 para 2.1.7)

10 The total disbursement on this programme is continuously rising. In absolute terms during 2006-07 it was Rs. 586.84 crores and in 2007-08, it reached to Rs. 643.66 crores (i.e. about 9.68 % higher), out of which Rs. 108.33 crores were for khadi and Rs. 535.33 crores for village industries.

In case of khadi, Rs. 105.94 crores was grant and Rs. 2.39 crores as loan. In case of village industries, total fund was in the form of grant (Table: 4.5, p. 49). As per the information given by the Annual report (2007-08), out of the total khadi grant of Rs. 105.93 crores, Rs. 84.04 crores (79.33 %) were spent for Khadi Sales Rebate, Rs. 17.61 crores (16.62 %) for ISEC, Rs. 2.36 crores (2.23 %) for khadi development programme and Rs. 19.28 crores (1.82 %) for PRODIP (Table 5.2).

The Planning Commission made this very clear when it entrusted the Programme Evaluation Organisation (PEO) with the evaluation of performance, adequacy, and effectiveness of the implementation mechanism and impact of the KVI programme. The PEO observed that, "While the output and employment of Khadi and Village Industries have grown manifold during the last four and a half decades, their role in the context of the new paradigm of development has been questioned. In particular, the effectiveness of the programme in terms of its employment generation capacity, resource-use efficiency and sustainability has come under attack from various quarters." Therefore the issue by finance or fund utilization of khadi and village industries programme has assumed great importance in Five Year plans. A review of approach to this programme in subsequent Five Year Plan makes this attitude quite clear.

Chapter 8

**KHADI IN FIVE YEAR PLANS**

To retain khadi programme without damaging its moral and nationalistic character, and yet make it a mainstream activity of a development planning seems to remain a constant challenge to planning authorities. Since the First Five Year plan issued in 1951, there have been objectives, targets, financial allocations and development guidelines for khadi and village industries within the framework of Small scale Industries sector. And consistently plan after plan there are recommendations for reducing its heavy dependence on national resources

During the freedom movement, Mahatma Gandhi planned and almost achieved complete re-clothing of the nation. He could chart a full scale reorganization of rural economy and restructure the textile industry. He wanted the whole nation to be self-reliant. Now the Independent India wants the khadi programme to be self reliant. And rightly so.

Between 1951 and 2012, there have been 11 Five year plans¹¹ which have provided opportunities for growth to all the sectors of the economy, with varying priorities. Accordingly not only khadi but its competitive and

11 PLANNING PERIOD:

Phase I of Planning [1950-66] : 1st Plan-1951-56; 2nd Plan-1956-61; 3rd Plan-1961-66; The fourth Plan was not introduced soon after the end of the 3rd Plan. Instead, 'Plan holiday' was declared.

complementary sectors also are allocated their shares, provided they justify their claims.

During the planning period there have been various performance evaluation committees, working groups, research institutions etc. to recommend line of development to make this programme economically justifiable. In the Fourth Five Year plan e.g., Asoka Mehta Committee, in its Report of the Khadi and Village Industries Committee (1968), laid down three guiding objectives: (i) the economic objective of producing saleable article, (ii) the special objective of providing employment, and (iii) the wider objective of creating self reliance amongst the people and building up a strong rural community spirit.

Implications of these objectives are similar to what was said in the First Five Year Plan in 1951 in these words: "Every effort must be made to create opportunities for work in the rural areas, through improvements in agriculture, development of cottage and small scale industries, and extensive programme of public works, especially in slack season." It also said that "the village industries have the best chance of growing up on the basis of local demand, i. e. the increase in the mutual exchange." Thus it acknowledged and emphasised the non-farm employment potential of khadi and at the same time recognized the need for self-sufficiency as well as commercial aspect of khadi.

Phase II of Planning [1966-90]: Three Annual plans (1966/67, 1967/68, 1968/69). After the war and two successive monsoon failures the Congress party gave priority to agricultural stagnation and developed NAS (New Agricultural Strategy).

4th Plan-1969-74; 5th - Plan 1974-79; 6th Plan - 1980-85; 7th Plan 1985-90

The 7th Plan ended officially in 1990, but the 8th Plan was not started because of change of Governments and consequent change of Planning Commission.

8th Plan - 1992-97; 9th Plan - 1997-2002; 10th Plan - 2002-07; 11th Plan - 2007-12.

The Second Five Year Plan [1956-61] made more systematic effort in assigning a 'dynamic role' to this sector. It was largely influenced by the recommendation of the Ford Foundation Team and the Village and Small Industries committee (Karve Committee). Instead of the self-sufficiency approach, marketability and consequent viability gained importance. This shift was necessary because, besides generating employment, there was need for larger supply of cloth to avoid inflationary effect of income generation. And this in turn required "to concentrate on measures designed to improve the competitive strength of the small scale sector."

Besides its employment potential, yet another objective of promoting small scale sector was its role in reducing regional disparities. The Third Five year plan suggested that "the rural economy has to be diversified and the proportion of population dependent on agriculture must gradually diminish", which is same as generating non-farm employment and thereby diversifying rural economy. This was similar to 'samagra seva' conceived by Gandhiji, where the ultimate aim was to offer better life to village people.

Subsequently the Fourth Five Year Plan clearly emphasized the need for technological improvements to reduce the dependence on fiscal support. It was realized that at their present level of technology the traditional industries will continue to depend heavily on fiscal support. The whole subject therefore was studied by the Asoka Mehta Committee. It recommended a seven-year programme for progressive improvement of techniques in spinning. It suggested that in future, additional production of traditional and Amber Khadi should be on self-sufficiency basis only and the subsidy element should be reduced to the minimum.

Introduction of New Model charkha with spindles ranging from two to eight in subsequent Plans was also

the step in that direction. With commercialisation of khadi obviously, the basic nature of khadi production changed. Instead of household activity, it was now going to the work shed, instead of local market, the distant and wider markets were to be sought. As for finance, it suggested that, loans for khadi would be advanced at 4 percent interest rate as an element of viability. This is in addition to the reduction of weaving subsidy of 20 % to 10 % as sale rebate five years ago. Further, loans advanced to village industries by the KVIC which earlier were interest free, are now being charged at 4 % interest.

The Sixth Five year Plan *e.g.* recognised inadequate linkages between the khadi and village industries programme and the general programmes of area development such as IRD and TRYSEM at the block level. [12.46.47] Thus, instead of having isolated or exclusive approach for khadi and village programmes, the Five Year Plans gradually linked them with other programmes of rural development. The KVIC also evolved several schemes in coordination with the Government measures. The evolution and adoption of proper technology through research and development and thereby increasing productivity and earnings of artisans has been an accepted approach. At the same time the need for an aggressive and broad-based marketing strategy, with the objective of progressively reducing the volume of inventories and the rate of subsidy was also recognised" (para 12.49).

The Eighth Five Year Plan has taken very comprehensive view of the working of this programme. It found it necessary 'to reorient khadi programme on various counts. The traditional character of khadi products made them unable to withstand the competition from the organised textile sector. Therefore, the consumers' taste, price and other related factors needed to be taken into account. This would necessitate diversification of markets

as also the product mix; introduction of modern marketing techniques; better inventory control; and better management practices etc. Secondly, the Plan observed that "since its inception, the KVIC has continued the policy of assisting institutions/private individuals registered with it directly and consequently the State Governments have not been according priority to its programmes". Moreover, "as the production of khadi is bound by several restrictions such as certification, cost chart and its sale on no profit no loss basis, very few voluntary organisations come forward to take up this programme". In other words, the lack of coordination between implementing agencies and inadequate linkages with other general programmes within the same area like IRDP were also noticed.

Here it should be noted that in this process of 'modernising and commercialising' khadi the other side of technological development, *i.e.*, adverse effect of new technology on earlier charkha, was also brought out by this Plan. The Plan mentioned, 'Spinning on traditional charkhas in the northern belt could not be expanded due to low level of earnings and consequent decline in the number of traditional home spinners as well as preference of weavers for yarn produced by New Model Charkha (NMC)' (6.5.2).

Thus, the evaluation of the programme over the period has been able to identify some of the inbuilt factors of these programmes as its limiting factors also. Therefore there is a need for a change in the structural and implementation pattern of this programme.

Later on, in the Ninth Five Year plan committee set up under the chairmanship of Shri K.C. Pant, Deputy Chairman, Planning Commission, for strengthening the khadi programme, recommended a special package regarding the sales rebate. Especially when it was realised that the debate regarding withdrawal of sales rebate created

uncertainty and it adversely affected the khadi programme, this Committee offered certain alternatives in the form of either rebate or Market Development Assistance (MDA).

In a major initiative during the Ninth Plan, the marketing of a select range of village industry products was launched under the brand name 'Sarvodaya', with a focus on quality. The National Institute of Design (NID), Ahmedabad, has been entrusted with a project to introduce new and trendy designs in khadi. New designs developed by the National Institute of Fashion Technology (NIFT) New Delhi, would be taken up for production by khadi industries. These initiatives are expected to improve the demand for khadi and to boost production and employment.

As for the viability, the earlier objective of 'No Profit' is replaced by the concept of 'No Loss' in order to strengthen the khadi and village industries and to make the sector viable and vibrant.

More recently, Tenth and Eleventh Five Year plans also reveal similar attitude with stronger view on marketability.

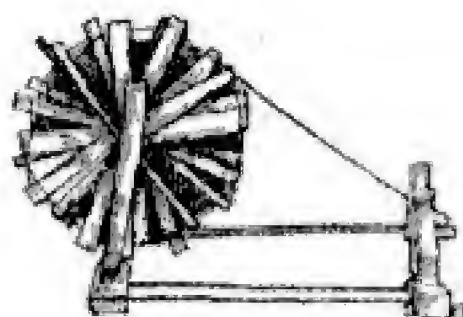
The market is to be sought and developed not only at local or domestic level but also at global level. The Plan document stated, "The strategy in Tenth Plan is to improve the quality and value of khadi production by focusing upon design inputs and improving the quality of khadi cloth. Anti-crease treatment for khadi cloth would be achieved by technology tie-up with renowned laboratories and research institutions. Khadi institutions would be strengthened to become economically viable by developing backward and forward linkages" (5.4.17).

The Eleventh Five Year Plan (2007-12) in its inclusive approach could not possibly ignore the resource-use-efficiency. It made it very clear that "we need to change the approach from emphasis on loosely targeted subsidies to creating an enabling environment". Several measures are

suggested in the Plan to boost the competitive strength of traditional sector". A cluster approach can help increase viability by providing these units with infrastructure, information, credit and support services of better quality at lower costs.....Brand building can be used as an effective strategy to promote their products in national and international markets. All these measures would be more effective if targeted at identified clusters (3.3.7, p. 40).

This roadmap of khadi programme since Independence shows the new initiatives that this programme has taken and the major changes which are brought about with its implementation. From production for self-sufficiency to commercial purpose, and therefore from traditional charkha to E- charkha, from local market to global market, and therefore from simple cloth to designer wear, from Government responsibility to KVIC accountability, and therefore from subsidy to viability are the milestones of Planning period from 1951 to 2012.

Chapter 9



PRODUCTION ASPECTS

Khadi in its final stage is an everyday clothing material, to which everybody and anybody can relate. It was most visible tool of participation in the freedom struggle. Therefore its acceptance by the classes and masses was spontaneous. Spinning on charkha was also symbolic of self-sacrifice and national duty. This however did not guarantee the acceptance of moral virtues or economic reasoning of Gandhiji by all even during his physical presence. This attitude is more evident in the progress path of khadi after Independence. It reveals distinct turns and twists in the original format. Khadi programme in the present scenario is a result of several modifications and initiatives introduced by KVIC as warranted by changed economic and political environment.

The output and employment of Khadi and Village Industries have grown manifold during the last fifty years as reflected in the statistical data, but the activity profile of Khadi and Village industries suggest that the objective and nature of khadi production has changed significantly, maintaining its basic quality of being hand-spun and hand-woven fabric.

Khadi production can be viewed in three different contexts. Firstly, purpose-wise production which means khadi for self-sufficiency and for commercial purposes. Secondly, variety wise production, *i.e.* cotton, woolen and silk, and thirdly by spinning technique indicating the type

of charkha used and consequent nature of workplace. These variables refer to primary or intermediary stage of cloth production.

Before reaching the market or sales outlet in its final form, khadi has to undergo various processes, such as spinning, weaving, dyeing, printing, ready to use fabric and readymade garments etc. (Similarly, for village industries also, from procurement of raw material to final packaged product, variety of processes are involved.)

It is a well-known fact now that when spinning was revived as a cottage industry by Mahatma Gandhi, he was hoping that, self sufficient village republics will develop in the process. This was to be thus 'Gramabhimukh' khadi. In practical terms, it meant using local raw material, local infrastructure, local services and ultimately local markets. The Commission along with Khadi and Village Industries Board not only initiates, but also coordinates, supervises and certifies these activities at all stages and in all places. Since this is the decentralized sector having wide geographical coverage, there is a long chain of office bearers/ personnel and institutions for grassroot implementation. And since at grassroot, it deals with rural population of different area and different traditions there are numerous varieties of products and clothes produced. This naturally has effect on costing as well as marketing.

This aspect would have been redundant if khadi was to be produced under self-sufficiency motive only. But it was not so even during pre-Independence period. Need for khadi production for commercial purpose or for towns people was well accepted. Nonetheless there has always been a class of people and some khadi institutions, ashrams and non-government organisations that had spinning as a part of daily routine. The Khadi Commission also has not withdrawn the programme of self-sufficiency for policy

reasons. In the First and Second Five year plan this category of khadi constituted around 15 percent of the total khadi production. But with the commencement of Third plan and with clear emphasis on its employment potential, khadi production for commercial purpose started gaining ground and the share of self sufficiency khadi is reduced to insignificant 1%.

In fact the production for self sufficiency without any philosophical backup has no future. This fact is brought out in quite realistic and objective observation in an article discussing future of khadi¹². "It has been our experience that the spinners engaged in Khadi spinning on the Ambar Charkha or the traditional Charkha do not use Khadi, though it is produced from the yarn which he or she spins, and which provides him with employment. Why is this so? The reason is that he or she looks upon spinning as a source of employment and sees no other value, moral or economic, in the work he or she is doing." This is not the case with products of other village industries like Ghani oil, hand pounded rice, hand processed flour. All these can be shown to be of purer quality and more nutritive. In the absence of any of these qualities, one fails to see how the spinners can be persuaded to use Khadi, and this is precisely the experience of all these years.

Unless some of these difficulties are removed, or new values are introduced in Khadi, it would be completely unrealistic to expect any change in the present situation relating to the production and consumption of Khadi as at present Khadi will continue to be Bhandarabhimukh (market oriented) and not Gramabhimukh (village oriented), when it is produced.

Once the predominance of commercial khadi is accepted, the price of khadi, independently and in relation

to its substitutes like handloom and mill cloth assumed greater importance.

Khadi production in terms of variety consists of cotton, woolen, silk and muslin. As stated earlier the cotton khadi' is 'produced by interlacement of handspun yarn on handloom.' The KVIC claims, 'Khadi deals in natural fibers spun and woven in natural environment and it can boast of being 100% natural, unlike handloom and mills which receive cotton yarn, blended with some regenerated cellulose fibers.' For khadi production therefore only natural fiber is permitted. Polyvastra, which has the handspun yarn and hand-woven cloth obtained by blending polyester staple fiber with other natural fibers, is differentiated from Khadi and categorized as village industry. However, working of Polyvastra, is on the same pattern as khadi and financial assistance is also given in the form of loans paid by the KVIC from budgetary allocations. Therefore the contribution of polyvastra should also be taken in account for arriving at production data.

Similarly, in case of woolen khadi, the norm of Swadeshi is relaxed and KVIC has created a facility for importing marino wool from Australia and New Zealand for onward supply to woolen khadi producing institutions. Unlike cotton khadi, woolen khadi is not attached to swadeshi symbolism. Most of the wool produced in India is of carpet varieties and finer varieties of woolen products require finer variety of wool, which has to be obtained from international sources. This relaxation is defended on the ground of employment generation to suit the local artisans. Moreover, production of khadi silk and khadi wool, both depends on the availability of raw material, climate condition, nature of demand etc. as per socio-economic culture of the area.

Basically, however cotton khadi dominates the production activity of the Commission. It constitutes

12. The Future of Gramabhimukh Khadi By, R.K. Patil

approximately more than 80% share in terms of quantity and 60 % in terms of value in total production (as per the Annual Report of the Commission 2007-08). Woolen khadi has less than 10 % share in quantity terms and 16 % in value terms and Silk has 7 to 8 % and 24% share respectively in terms of quantity and value. The production of Polyvastra was quite significant (in value terms it stood at Rs. 5828.27 lakhs in 2007-08). This predominance holds true for both yarn as well as cloth.

The yarn production is the mainstay of khadi programme. Almost 80% of the total yarn production consisted of cotton, next being woolen with 19% share. Silk yarn production in terms of quantity was insignificant, but has higher share in value terms (KVIC Annual Report).

With increasing emphasis on marketability of khadi, the productivity and cost efficiency, naturally assumed importance. This in turn resulted in need of technological development. The technological development in spinning ranges from traditional wooden charkha to New Model charkha, with the latest innovation of E-charkha. These developments cannot be called modifications in charkha. This is because the traditional charkha and new model charkha do not resemble in appearance, operation, efficiency and also in the motive of spinning. Earlier it was to be a part time or spare time activity for generating supplementary income. But now the work-shed working condition is getting more desirable for both, the artisan as well as for the Commission.

Besides spinning technique, the quality of yarn obviously determines the quality of cloth. Yarn is identified by its count. The count refers to uniformity appearance and strength of the yarn. Higher count is, thinner and is considered a finer variety. The yarn is further categorised as single and double or twisted yarn. Single counts are in simple number e.g. 6, 10, 40, 100, etc. The twisted yarn are

referred to as 2/6, 2/10, 2/40 and like. The double or twisted yarn will obviously be stronger and more durable but more expensive also. In the process of weaving the double yarn is used for warp to increase the strength of the cloth.

The traditional charkha could spin coarser variety of yarn, where as with Ambar charkha spinning upto 30 count of yarn, was possible. The quality of yarn depends on the processing of cotton, which passes through various stages. The cotton needs to be cleaned, carded and then the slivers are made. Tightness and uniformity in the sliver is the key to fine and even spinning.

Yarn production

The Khadi and Village Industries Commission has main responsibility of procurement, distribution and collection of raw material of cotton Khadi i.e, the required quantity of yarn and in turn, for yarn production, required amount of slivers / rovings collection. In order to ensure that the khadi institutions maintain regular spinning work for the artisans, KVIC supplements their raw material needs from the Central Sliver Manufacturing Plants [CSP] in respect of cotton as well as polyester cotton blended slivers. KVIC has set up 6 sliver/roving plants to meet the raw material requirements of NMC programme. It meets about 30 % of the raw material requirements of the sector. Not only the manufacturing aspect, but even the storage is the responsibility of KVIC. This is because most of the khadi institutions are small facing resource crunch and can lift the slivers only in small quantities.

In case of woolen khadi also KVIC extends financial support to Rajasthan Sanstha Sangh, Jaipur to procure, process and sell marino wool (Annual Report 2007-08, p. 74).

To implement, supervise and monitor the programme

in an effective way, it is necessary to have reliable data base. But the hierarchical nature of the khadi organisation results into massive statistical information. To streamline the working, the Commission has classified the operational area into six zones on a geographical basis.

Now the information is available at zonal level *viz.* North, East, North-East, South, West and Central. This categorization is purely on geographical basis. As North-Eastern zone has typical political, geographical and economic features, in all programmes of Khadi Commission there is separate and special provision for this Zone.

Obviously, due to the factors like geographical conditions, nature of raw material available, skill of artisans etc. the share of different states in different varieties vary widely and in each zone one or two states have strong impact on performance at national level. e.g. more than 55% of khadi production comes from three states, Uttar Pradesh, Tamilnadu and Gujarat,. Uttar Pradesh alone contributes more than 40 % of cotton khadi. In case of woollen khadi Harayana tops with 26% share and together with Uttar Pradesh and Rajasthan, they account for more than 58% of woollen khadi production. The major contributors in khadi silk are West Bengal and Tamilnadu, contributing almost 60 % of the total production. The zone-wise categorization is more of administrative convenience. For qualitative aspect, there is another classification.

In order to monitor the performance of khadi institutions in more concerted manner, khadi institutions are grouped into five categories on the basis of certain parameters :

- (1) A+ : very good track record,
- (2) A : good track record,
- (3) B: satisfactory track record,
- (4) C : Unsatisfactory, but some of which still have potential to improve

- (5) D: Performance dismal in the areas of financial management, marketing and all other productive functions.

Zone-wise position of the re-categorised institutions affiliated to KVIC and KVIB during 2007-08 are given below:

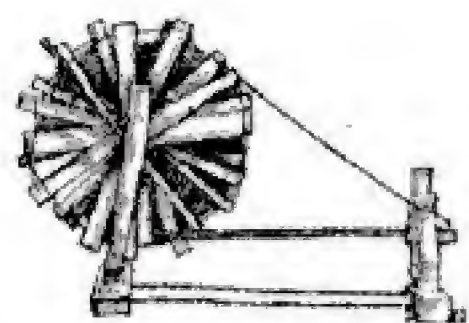
As can be seen from this data only 30 % of the institutions have good record. It should be noted however, State Boards have greater role in village industries whereas in khadi the responsibility lies more with the Commission. Therefore, higher number of A+ and A category institutions are with KVIC.

<i>Categories</i>	<i>KVIC</i>	<i>KVIB</i>	<i>Total</i>	<i>Share</i>
A+	107	28	135	7
A	289	162	451	23
B	323	186	509	26
C	310	252	562	29
D	216	53	269	14
Total	1245	681	1926	100

Source ** KVIC Annual Report 2007-08, p. 59

Repeated recommendations in consecutive Five Year plans regarding improvement in the performance of Khadi and village industries programme has its justification here. In changed mental makeup of consumers, there is a growing preference for natural, eco-friendly products. Khadi already possesses this quality. What is needed is to provide them in the form they are desired. Khadi Commission already has the nationwide organisational infrastructure to produce these saleable articles. Hence the Commission should make the best out of it.

Chapter 10



EMPLOYMENT ASPECT

The rationale to continue khadi programme is derived basically from its employment potential. It can provide a means of livelihood to many in rural area who are deprived of decent lifestyle. And its product is such that it has utility for all people from all background. Instead of market and money being the guiding force for production activity, as explained in the traditional line of economic thinking, the extent of employment generation and additional purchasing power in the hands of artisans has been the major consideration for khadi programme. This holds true for both pre Independence period and post Independence period. The difference however lies in the general economic environment and attitude of the government.

In pre-Independence period khadi was 'the national programme' because of its political effectiveness, and it was a symbolic instrument of protest against the British government. Whereas after the Independence, it has been one of the various programmes of rural non-farm employment generation, undertaken by the government in the national interest, as an economic instrument.

For employment purpose it is spinning which has been more relevant historically as well as economically. For our development strategy also, hand spinning and hand weaving has greater suitability for Indian occupational structure. It provides supplementary income and employment in the spare time of agricultural sector. It does

not require high level of skill, which even otherwise illiterate poor rural people may not have. Their lack of competence further restricts their opportunity of getting jobs in the open market. So the continuation of khadi programme on the ground of employment generation and consequent income generation capacity was an easy way for planners to reconcile expectations of all the groups - Gandhian, capitalists or socialists after achieving political goal of 'Swaraj.'

Employment in khadi has been increasing over the period as per the information provided by the Khadi Commission. The annual report of the Agro and Rural industry (2003-04) recorded the employment of 8.80 lakh persons during Tenth plan period (2002-07), and the Commission's report of 2007-08 mentioned a rise of 3.6 % over the previous year, reaching the level of 9.16 lakh persons in 2007-08. Out of the total employment of 9.16 lakh persons, 7.26 lakhs were spinners and 1.07 lakhs were weavers (Table 5.14, p. 78). The beneficiaries of khadi programme continued to remain the less privileged class, as approximately 79 % of the total employments are women artisans. The coverage of S.C./ S.T. artisans stood at 33 %.

However the claims of Khadi programme for the nature and quantum of employment always has been under severe criticism. Employment statistics unfortunately are beset with several conceptual and operational problems. They are therefore, not only, not comparable with other employment programmes of the Government, but also for KVIC over a period of time.

The Programme Evaluation Organisation (PEO), Planning Commission (2001), in its report has analysed the reliability of this data. It observed that the employment figures available with the different offices of KVIC, KVIB and other government agencies in the secondary statistics are maintained in terms of the "number of persons" worked

in the Khadi and Village Industries units without adequately reflecting on the type (part-time/full-time) of employment provided under the schemes. It is, however, common knowledge that employment in the khadi units in particular, can not always be full-time employment because of the constraints relating to availability of inputs to artisans/workers, availability of adequate time (of the artisans/workers) for such employment, stoppage of production by the units and seasonality.

To arrive at more realistic picture of the employment level, the committee suggested conversion of number of artisans to full time workers. This was done on the basis of earnings. It showed that in khadi sector, the annual earning of a full time worker is, on an average, eleven to twelve times that of a part time worker. In the village industries sector, however, the difference in earnings of full time and part time workers is only 2 to 2.5 times higher.

About 60 per cent of the employment in Khadi and 54 per cent in village industries sector constitute part time employment. The PEO has attempted to derive Full Time Equivalent (FTE) employment by accounting for the earning differential between the two types of employment. KVIC and Ministry of Small Scale Industries equate 30% of part-time employment as one full-time employment. However, this does not fully capture the earnings and duration of employment. Hence these findings of the Committee cannot be overlooked.

Moreover, besides these conceptual adjustments, there are loose ends in the system of data collection, compilation and dissemination. Data generated through the field returns from the units are not verified by KVIC and therefore, may not represent the grassroot reality.

In short, high employment potential of khadi is not fully supported by present state of data. But there is a welcome trend of integration of khadi and village industries

programme with other rural development programmes introduced by the government over a period of time. There have been numerous programmes and schemes for rural industrialisation in Five Year Plans.

With setting up of Ministry of Micro, Small and Medium Enterprise in 2007, policy formulations and implementation of rural development programmes have been more coordinated and focused. The KVIC and the Coir Board are two nodal agencies for implementing two major employment schemes namely, Rural Employment Generation Programme (REGP) and Prime Minister's Rozgar Yojana (PMRY).

From March 2008 however, the Government of India has introduced a new credit linked subsidy programme by merging PMRY and REGP for generation of employment opportunities through establishment of micro enterprises in rural as well as urban areas. It is Prime Minister's Employment Generation Scheme (PMEGP). This will be a central sector scheme to be administered by the Ministry of Micro, Small and Medium Enterprises. For this scheme also the Khadi and Village Industries Commission is designated as the single nodal agency at the national level for implementation by the Ministry of MSME.

Objectives of this scheme are:

- (i) To generate employment opportunities in rural as well as urban areas of the country through setting up of new self-employment ventures/projects/micro enterprises.
- (ii) To bring together widely dispersed traditional artisans/ rural and urban unemployed youth and give them self-employment opportunities to the extent possible, at their place.
- (iii) To provide continuous and sustainable employment to a large segment of traditional and prospective artisans and rural and urban unemployed youth in the

country, so as to help arrest migration of rural youth to urban areas.

- (iv) To increase the wage earning capacity of artisans and contribute to increase in the growth rate of rural and urban employment.

Thus it is a combination of earlier two schemes subsumed in this. PMEGP has wider base for providing assistance in implementation, especially for identification of beneficiaries. For identifying area specific viable projects and for providing training in entrepreneurship development also this scheme has laid down eligibility criteria in clear terms.

At the State level, the implementation responsibility is given to State KVIC Directorates, State Khadi and Village Industries Boards, District Industries Centres (DICs) and banks. These institutions will, in turn associate 'reputed Non Government Organization (NGOs)/ reputed autonomous institutions/Self Help Groups (SHGs)/ National Small Industries Corporation (NSIC) / Udyami Mitras empanelled under Rajiv Gandhi Udyami Mitra Yojana (RGUMY), Panchayati Raj institutions and other relevant bodies for the implementation of the Scheme.

It may be noted however that, the approach of the government for the rural development in all such schemes has been employment-specific rather than khadi-specific. PMEGP for *e.g.* has laid down some eligibility criteria for the beneficiaries which would not be relevant for khadi spinners. It requires minimum 8th standard pass educational qualification and has no income ceiling for assistance for setting up projects. In PMRY on the other hand maximum family income of the beneficiary, including the income of the spouse and parents, was not to exceed Rs.40,000 per annum. Without such ceiling therefore the beneficiary could be from any class less deserving. It is

obvious therefore, the scheme is made broad-based for the benefit of the rural sector as a whole and has no scope for illiterate and poor women engaged in khadi spinning.

Earlier scheme of REGP however had greater provisions for khadi programme in general. It was a poverty alleviation programme and was a kind of compendium of village industries scheme under KVIC.

For the overall development of the rural sector as a whole there is yet another approach of Cluster Development. It is "Scheme of Fund of Regeneration Traditional Industries (SFURTI) which is a Central Scheme and the Ministry of Agro and Rural Industries is the coordinating Ministry providing overall policy, coordination and management support to the scheme." Khadi and Village Industries Commission and Coir Board are the Nodal Agencies for the implementation of the scheme.

Earlier *i.e.* since 1999-2000 there was National Programme for Rural Industrialisation (NPRI) for intervention in the rural clusters, which is subsumed under SFURTI. This scheme identifies the traditional industries cluster on the basis of several parameters indicating linkages. As per the guidelines, the selection of clusters will be based on their geographical concentration which should be around 500 beneficiary families of artisans/micro enterprises, suppliers of raw materials, traders, service providers, etc., located within one or two revenue subdivisions in a District (or in contiguous Districts). The clusters would be from khadi, coir and village industries, including leather and pottery. The potential for growth in production and generation of employment opportunities will also be considered in selecting clusters under SFURTI.

The objectives of the scheme are:

- (i) to develop clusters of traditional industries in various parts of the country over a period of five years

commencing from 2005-06;

- (ii) to make traditional industries more competitive with more market-driven, productive, profitable and sustained employment for traditional industry artisans and rural entrepreneurs;
- (iii) to strengthen the local governance systems of industry clusters, with the active participation of the local stakeholders, so that they are enabled to undertake development initiatives by themselves; and
- (iii) to build up innovated and traditional skills, improved technologies, advanced processes, market intelligence and new models of public-private partnerships, so as to gradually replicate similar models of cluster-based regenerated traditional industries

As per Annual report of the MSME [2006-07], it is proposed to develop under this scheme around 100 clusters (25 clusters for khadi, 50 clusters for village industries and 25 clusters for coir industry) over a period of five years commencing from 2005-06. The Scheme would cover an estimated 50,000 beneficiary families.

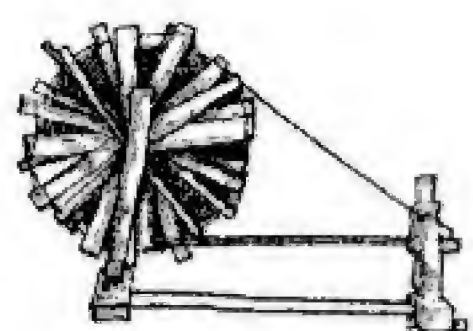
This scheme has specific financial assistance pattern for specific activity. It has specially targeted programmes which are to be promoted under the scheme. Some of them are:

- (i) Replacement of charkhas and looms in khadi sector.
- (ii) Setting up of Common Facility Centres (CFCs).
- (iii) Development of new products, new designs for various khadi and village industry products, new/improved packaging, etc.
- (iv) Market promotion activities.
- (v) Capacity building activities, such as exposure visits to other clusters and institutions, need-based training, support for establishment of cluster level networks (industry associations) and other need based support.

As this is the later addition to the programmes for rural employment there is a need for linkages with existing schemes. The SFURTI takes a holistic approach for cluster development therefore, similar ongoing schemes/efforts can be dovetailed with SFURTI, ensuring no loss of benefits of the earlier schemes. This ensures convergence and maximising the benefits of the existing programmes.

On the basis of all these information one may maintain that on account of these variety of schemes, and modification of schemes, it becomes difficult to have an aggregate picture of employment aspect of khadi programme. In an attempt to retain the khadi programme and utilise the available organisational infrastructure, the government has made KVIC as the implementing agency for its employment generation schemes. There is a separate financial provision for the implementation of other schemes. Khadi production and resulting employment, as undertaken exclusively by the Commission, gives only the partial picture of its performance. In other words in implementing these schemes, the availability of organisational structure of KVIC is given more weightage rather than khadi programme. As a result, the Commission adds to its administrative gamut and there is duplication or multiplicity of tasks.

Whatever be the final outcome -a success or otherwise of employment potential of the programme, the fact remains that if the employment level is to be sustained, marketing support is to be given. Whatever is produced has to be sold so that the economic cycle of 'production, consumption and distribution goes on. Therefore what is produced has to be 'saleable' or has to be made so.



Chapter 11

MARKETING

Marketing of khadi would not have been a problem, if it was for self-sufficiency or for self reliant village economy or if it was Gramabhimukh (village oriented).

Marketing of khadi would not have been a problem if it was only a simple fabric and not the way of life; if it was not so closely associated with Mahatma Gandhi and there after the Congress party and having value judgment attached to it.

Marketing of khadi would not have been a problem if the changes in consumption pattern and preferences were not so fast and the globalisation had not influenced the product-mix of the markets so significantly.

The real situation however demands a makeover of khadi and village industries from freedom uniform to fashion fabric. The contrast in attitude of Indian society and expenditure environment of the nation is at the root of the problems faced by the khadi institutions in selling their products.

This challenge is full of constraints as well as opportunities. Realizing the complexities of the situation, the planning authorities have accepted the fact that, "Due to their traditional character, the khadi products are unable to withstand the competition from the organised textile sector. It is, therefore, essential to adopt an aggressive marketing approach which takes into account the consumers' taste, price and other related factors for

increasing production of khadi. This would necessitate diversification of markets as also the product mix; introduction of modern marketing techniques; better inventory control; and better management practices etc" (Eighth Five Year Plan, para 6.5.8)

Initially, when Gandhiji arrived in India from South Africa, like many of the well-to-do Indians, he too had adopted western dress and manners. But as his concern about India's dire poverty and past prosperity grew, he realised the importance of traditional industries and his preference for Indian traditional dress developed. In due course, acceptance of khadi as a national dress and boycotting foreign cloth took over. Khadi then had a great market share and it did not have to face any competition.

After the Independence again the adoption of western dress and manners are taking over, but now this is due to the changes in communications, marketing strategies, consumption patterns and preferences of people. Therefore, khadi cannot possibly ignore the important elements of marketing. Quality control and standardization of product in the organised sector adversely affect the sales of coarser variety of handmade cloth.

Gandhiji could defend khadi in his time in these words: I deny that any khaddar is ugly. Want of the dead sameness of a machine-made article is not a sign of ugliness, but it is a sign of life, even as absence of sameness in the millions of leaves of a tree is life like beauty and why should the cost of khaddar, good or bad, worry us if every penny we pay for it goes directly in the pockets of the starving millions? (*Young India*, June 17, 1926). But in the world market or even in the domestic market, this thinking cannot have mass appeal now. The nation who respected Mahatma Gandhi for his principles, values and his role in achieving freedom would no longer restrict their expenditure pattern

to Swadeshi products. When it comes to their personal lifestyle or dressing in particular, they no longer need freedom fighter's fabric, but a fashion garment.

Similarly the cost factor is also more relevant now. Gandhiji could defend higher price with an argument that, 'The art that in machine made article appeals only to the eye, the art in khadi appeals first to the heart and then to the eye whereas now the price of khadi, individually and comparative, decides the decision of purchase (Mahatma: vol. iii. P. 292)'. Moreover, not only the product has to look good, it should be marketed in attractive packaging also. In this context therefore, khadi has to adopt new and modern approach to marketing.

With KVIC as the nodal agency, the marketing activities are undertaken through a nationwide network of more than 7000 retail sales outlets, managed by the certified khadi institutions and State Khadi and Village Industries Boards, 9 departmentally managed Khadi Gramodyog Bhavans, 2 Central Vasthagars, and 1 Gram Shilp. Though this network of sales outlets would appear to be adequate, it is not so.

The need was felt to explore more avenues for sale. The Eighth Plan proposed to encourage mobile vans, and three wheelers in big cities, their marketing on commission basis at district and taluka market besides weekly *haats* apart from Bhavans and Bhandars. KVIC also provides supporting inputs to its NGOs/institutions and implementing agencies for marketing KVI products manufactured by them. Funds are provided for opening sales outlets and conducting exhibition-cum-sale to sell their products.

To enhance marketing introduction of product diversification, design and fashion development and fashion shows in major cities may also help. It also suggested greater stress on R&D, with a view to improvement in

quality, and productivity and thereby reduce cost.

During the last 50 years, the following major activities are undertaken by the KVIC in the field of marketing:

(i) **Brand names**

In the era of ever increasing consumer awareness, brand promotion plays a key role in attracting the customers, more specifically the younger generation. Accordingly, KVIC makes effort in promotion of exclusive brands coupled with quality improvement and PRODIP 'Khadi', Sarvodaya' and 'Desi Aahar' are such exclusive brands. Khadi Brand includes designer garments and Herbal products of personal care, health care, skin care products like henna, shampoo, face scrub, essential oils etc. Sarvodaya brand refers to FMCG (fast moving consumer goods like soap, pickles, honey, agarbatti etc.), and lastly, Desi Aahar brand includes natural and chemical free food products, like pulses, cereals jaggery etc. Moreover, KVIC engaged the services of M/s De-Penning and De-Penning, Mumbai during 2007-08 for production of KVIC Brands. (KVIC annual report 2007-8, p. 145)

(ii) **Exhibitions**

Through its field offices, KVIC arranges different level of exhibitions, to boost the domestic market and popularize the products. In fact,, more than 200 exhibitions are organized every year by KVIC. Earlier there was no systematic approach for arranging exhibitions. But recently there has been systematic planning and fund allotments as well as guidelines for the exhibitions. For example, at national level there is Khadi Utsav with Rs. 40 lakhs as financial provision. Khadi Darshan at Zonal level, Khadi Bazaar at State level and Khadi Mela at District level are provided Rs. 25 lakhs, 10 lakhs and 2.50 lakhs, respectively.

(iii) Fashion shows

During last five years, the khadi fashion shows – Khadi Paridhan Utsav, has been made the part of exhibitions and almost all major cities had such fashion shows. This is intended to adapt the quality of khadi fabric as per the consumer preference and popularize it among youngsters.

(iv) Departmental sale outlets

These are established in different states as Khadi Gramdyog Bhavans, Gram Shilpa and Central Vastragars to support the producing units. And these outlets are renovated as per modern concepts to attract the consumers.

(v) Government Supplies

The Government of India continued to encourage the KVI sector by providing purchase preference for products manufactured by units under KVI purview. The major buyers under Government sector are Indian Railways, Defence, Hospitals etc. The Ministry of Railways took a landmark decision to use Polyvastra bed sheets, pillow covers, dusters etc. and thus provide good marketing support. KVI items are supplied under Rate Contract of DGS & D and also under open tenders. There are 20 to 24 items under rate contract.

(vi) Exports

KVIC is granted deemed EPC status for promotion of international market. KVIC arranges buyers sellers meets, participates in international Exhibitions overseas, and in the country to export oriented units.

(vii) North Eastern Region:

Like other activities, in marketing also, there are extra support measures for this region.

Besides these general measures there are two special schemes introduced by KVIC to influence the marketing of

khadi. One is PRODIP and other is sales rebate scheme. The Product Development, Design Intervention and Packaging (PRODIP) scheme was launched in November 2002 with the approval of Ministry of MSME, Govt. of India with a view to improve the quality of khadi products and also to diversify into new products. The scheme envisages improvement in product introducing new designs and better packaging of products.

For expansion of markets, KVIC has taken bold steps to emerge as “producers of made ups rather than limiting to cloth production”. The Ready to Use is the mission project of gradual shifting of end product from cloth to ready fashion garments. West Bengal and Tamil Nadu started these projects.

“The PRODIP envisaged preparation of a pool of local designers/experts and make their support available to KVI programme implementing agencies for the development of the products that have demand in the markets and improved design as well as packaging to have better visibility and acceptance. “Directly aided institutions of KVIC \ KVIC of A, B and C categories and individual entrepreneurs are eligible. The scheme seeks support from professional designers and provides assistance to the tune of 75% of cost of the project in the form of grant. Remaining 25% is contributed by the beneficiaries.

Eligible activities are projects relating to improvement or experiment with raw material, yarn, fabric, higher processing such as dyeing, printing, tailoring, packaging, diversification of products, conversion of existing stock into suitable products as per the customer's choice in the market etc.

The sales rebate scheme for khadi and khadi products is made available by the Government so as to make the price of khadi competitive with other textiles. Normal rebate (10%) all over the year and an additional special rebate

(10%) for 108 days is given to the customers from funds made available through budgetary support of the Ministry of Agro and Rural Industries under the Khadi grant head.

Rebate, however is allowed only on the sales made by institutions/centres run by the Khadi and Village Industries Commission, the Khadi and Village Industries Boards and also at the sales centers run by the registered institutions who are engaged in the production of khadi and polyvastra. In other words to avail this facility the institutions have to be certified by KVIC. Obviously therefore, the benefit of this scheme goes to those sectors which have better performance. For e.g. North zone and Central zone has more than 60 % share of total rebates. It should be noted however that on account of the certification, Khadi outlets are exclusive outlets and there has to be special desire on the part of the buyer to purchase khadi, unlike other fabrics, where he can compare and pick. Of course with new approach this isolated selling centre concept is modified.

The above information makes it amply clear that khadi for commercial purpose is an essential element in present scenario. If this programme has to stay, it has to appeal to a class which takes this fabric for its special qualities such as eco-friendly 'green fabric'.

In pre-Independence period, the consumer class was almost homogenous as the white khadi was accepted as a trademark of association with Gandhian philosophy. Now there is a heterogeneous group of buyers. White khadi still has the association with not only Congress party, but 'politicians' as a class in general. Unfortunately, it is not a favourable factor for wider market. On the other hand, there are several groups outside India, having strong influence of Gandhian way of life and they proudly adorn white khadi to distinguish themselves from general public. Within India also there are several organisations, and people who accept the Gandhian way of expressing their support to

'rural poor' but want to differentiate themselves from 'white khadi group'. They found ways of expressing the difference by dyeing, making garments of prevailing trend, and using fine variety of khadi, not only cotton but also silk and woolen. This group can be relied on, to popularize khadi among masses.

It is now an acceptable fact that exclusive use of khadi as a dressing style is restricted to a small group of people or social organisation. The call to the nation now cannot be to buy khadi and khadi only, but as an appeal voiced by the President of India that "if every person buys at least one rupee worth of khadi every year, this will lead to the sales of more than Rs. 100 crore in the country alone and provide employment for lakhs of people" i.e. the nation can display their support to the products of khadi and village industries and to rural development. The government officials thus now tend to appeal to the sentiments of buyers, instead of spirit of patriotism (*Jagruti*, Dec. 2007, Vol. 52, p.10). The hard fact of present scenario is that "whatever efforts the government and the KVIC makes, it cannot succeed unless the people of India, make a conscious choice to spend money out of their home budget to buy the products made only from KVIC" (ibid.14).

This is the history of Khadi highlighting both the Gandhian as well as the governmental approach. What is needed is continuous spending on khadi products by general public to keep khadi programmes going.

The functions and rules of KVIC (KVIC Act of 1956)

- (i) to plan and organise training of persons employed or desirous of seeking employment in khadi and village industries;
- (ii) to build up reserves of raw materials and implements and supply them to persons engaged or likely to be engaged in production of handspun yarn or khadi or village industries at such rates as the Commission may decide;
- (iii) to encourage and assist in the creation of common service facilities for the processing of raw materials or semi-finished goods and for otherwise facilitating production and marketing of khadi or products of village industries;
- (iv) to promote the sale of marketing of khadi or products of village industries or handicrafts and for this purpose forge links with established marketing agencies wherever necessary and feasible;
- (v) to encourage and promote research in the technology used in khadi and village industries, including the use of non-conventional energy and electric power with a view to increasing productivity, eliminating drudgery and otherwise enhancing their competitive capacity and to arrange for dissemination of salient results obtained from such research;
- (vi) to undertake directly or through other agencies studies of the problems of khadi or village industries;
- (vii) to provide financial assistance to institutions or persons engaged in the development and operation of khadi

or village industries and guide them through supply of designs, prototypes and other technical information for the purpose of producing goods and services for which there is effective demand in the opinion of the Commission;

- (viii) to undertake experiments or pilot projects which in the opinion of the Commission are necessary for the development of khadi and village industries;
- (ix) to establish and maintain separate organizations for the purpose of carrying out any or all of the above matters; to promote and encourage cooperative efforts among the manufacturers of khadi or persons engaged in village industries;
- (x) to ensure genuineness and to set up standards of quality and ensure that products of khadi and village industries do conform to the said standards, including issue of certificates or letters of recognition to the concerned persons.

(Ministry of Agro and Rural Industry, Annual Report 2006-07, pp16-40)

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